

Date: 16 June 2015

Item: TfL Statement of Accounts for the Year Ended 31 March 2015

This paper will be considered in public

1 Summary

- 1.1 This paper presents the draft TfL Group Statement of Accounts for the year ended 31 March 2015 to the Committee for consideration. The current draft of the Statement of Accounts is attached to this paper and will be referred to the TfL Board for approval on 1 July 2015.

2 Recommendation

- 2.1 **The Committee is asked to note the draft Statement of Accounts and that the Interim Chief Finance Officer will make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising therefrom will be reported to the next meeting of the Committee.**

3 Background

- 3.1 The Statement of Accounts has been prepared in accordance with the provisions of the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 (“the Regulations”). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee (“the Code”). The Code is based on International Financial Reporting Standards (“IFRS”).
- 3.2 The Regulations require that the responsible financial officer, namely the Chief Finance Officer, sign and date the Statement of Accounts by 30 June at the latest, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL’s income and expenditure for that year.
- 3.3 The Regulations further require that the Statement of Accounts is approved by a resolution of a Committee of the Board, or otherwise by a resolution of the members of TfL, meeting as a whole. Approval is planned to be sought at the meeting of the Board on 1 July 2015.
- 3.4 As has been the case in earlier years, the Statement of Accounts must be made available for public inspection for a period of four weeks following

advertisement of the inspection period. The inspection period commenced on 9 June and finishes on 6 July. Following the inspection period, the auditors may receive questions or objections to the accounts from local government electors in London. Should any such questions or objections be raised, these will be reported to the Committee at its next meeting.

4 Results for the year

- 4.1 The Group Comprehensive Income Statement shows a surplus on the provision of services of £2.3bn. This arises as a result of the requirement of the Code to include all grants, whether capital or revenue in nature, as grant income. Capital grant income of £3.5bn is included in this figure. It should be noted that all income is reinvested to run and improve services for customers and users.
- 4.2 As at 31 March 2015, the Group has usable reserves of £4,661m, £2,769m of which represents funding for the Crossrail project which has been received but not yet spent and is held within the “unapplied capital grants account”. This arises because the funding schedule agreed with the Department for Transport at the inception of the project doesn’t match the actual spending profile and funding has therefore been received ahead of need. The project remains on track to complete in 2018.
- 4.3 The majority of the balance of £1,892m is “earmarked reserves”, set aside specifically to fund the Investment Programme. As is the case for unapplied capital grants, earmarked reserves arise because the Group has received funding and undertaken borrowing in advance of incurring costs and completing projects. Government funding is paid in line with the agreed schedule, and is fully allocated to the Investment Programme, including the deliverables in the DfT Annex B milestones agreed as part of the 2013 Spending Review. Borrowing is also undertaken to fund investment, within annual limits agreed with DfT, and this can be in advance of incurring project costs, resulting in temporary increases in cash and earmarked reserves.
- 4.4 Earmarked reserves form part of the overall funding pot for the Investment Programme and are already allocated in TfL’s Business Plan, to be spent on delivering investment projects to improve transport in London, including the Circle, District, Metropolitan and Hammersmith and City Lines upgrade, redevelopment at key stations to increase capacity and accessibility, the Road Modernisation Plan, cycling programmes such as Cycle Superhighways, and further New Routemasters. Since these sums are fully allocated to transport improvements as part of the Investment Programme, they are not available to spend on additional projects or fare reductions.
- 4.5 The residual General Fund balance at 31 March 2015 was £150m (2013/14 £157m). A balance of around £150m is maintained to cover risks that may arise, and is determined to be appropriate given the scale of the Group’s operations, and a transfer was made from Earmarked reserves to maintain the General Fund at this level.

5 Accounting Policies

- 5.1 The 2014/15 Code contains only minor changes from that for 2013/14, none of which have a material impact on the financial statements. However, following a regular review of the appropriateness of TfL's accounting policies a decision has been made to change the way the TfL Pension Scheme is accounted for in the Corporation. Prior year comparative information has been restated to reflect this change and additional disclosure is included in note 42 to the Statement of Accounts. This change has no impact on the Group accounts.
- 5.2 The Public Sector Section of the TfL Pension Fund covers a number of Group entities and the assets and liabilities of the Section cannot readily be split between the participating Group companies on a consistent and reasonable basis. The Corporation is consequently unable to identify its share of the underlying assets and defined pension obligations of the Section and in prior years the Corporation has applied the multi-employer exemption allowed under paragraph 6.4.1.8 of the Code. It has accounted for the Section as a defined contribution scheme, and only at the Group level have the assets and liabilities of the Section been recognised.
- 5.3 Each year the Group's accounting policies are reviewed to ensure that all policies remain appropriate. The review of the accounting treatment that is applied to pension plans included consideration of the role of the Corporation as sponsor for the Public Sector Section, the contractual arrangements between the Corporation and the underlying entities in terms of recharging the pension costs, and the accounting requirements set out within IAS19 and the Code.
- 5.4 As a result of the review it has been concluded that the Public Sector Section is in the nature of a Group scheme and accordingly the appropriate accounting policy to apply should be based on the requirements of the group scheme provisions of IAS19. The Corporation has therefore recognised the pension deficit on its balance sheet, and prior year comparatives have been restated following the change in accounting policy. The change in accounting policy has no impact on the reported pension deficit at Group level.

6 Remuneration disclosure

- 6.1 The requirements for producing the various elements of the disclosure are unchanged from earlier years, and an additional voluntary disclosure has been included in the prior year comparatives to show the total remuneration for the prior year.

7 Disclosure of Pension Fund Deficit

- 7.1 The Group balance sheet includes the deficit on the Public Sector and Tube Lines sections of the TfL Pension Fund, TfL's share of the deficit on the Local Government Pension Scheme, and the liability in respect of unfunded pension obligations, all calculated in accordance with IAS 19 Employment Benefits.

The total deficit on TfL's defined benefit pension schemes calculated in accordance with IAS 19 has increased from £2.5bn in the prior year to £2.9bn.

- 7.2 The IAS 19 basis of valuation is different to that used by the Fund Actuary in the triennial valuations which determine the level of contributions that TfL is required to make to the Fund. The last such valuation was at 31 March 2012 and revealed a deficit of £699m for the Public Sector section and £41m for the Tube Lines section. Employer's contributions for the Public Sector Section are currently 31% of pensionable pay and those for the Tube Lines Section are 23.15% with additional lump sum deficit contributions of £1.02 per month, adjusted for inflation. A funding valuation as at 31 March 2015 is currently underway and the results of this should be available later in the year. The rules of the TfL Pension Fund require that any deficit should be made good by additional employer contributions over a period not exceeding ten years and this obligation is recognised in TfL's Business Plan. Employer contributions for both Sections may change following the 2015 funding valuation.
- 7.3 Under IAS 19, the assets of a pension fund are valued at fair value at the balance sheet date, and the liabilities are discounted at the AA corporate bond rate at that date. The deficit arising is shown in the balance sheet under "Pension and other post retirement liabilities", and is highly volatile due to the variation in the market value of the fund's assets from year to year and the sensitivity of the liabilities to the market yield on AA corporate bonds at the balance sheet date.
- 7.4 The difference between the funding valuation and the IAS 19 valuation is due to the different rules applying to the two valuation bases, particularly the different discount rate. The discount rate for the IAS 19 valuation is required to be based on AA corporate bond yields, but the discount rate for the funding valuation is based on expected returns on the Scheme's assets. There are also differences in the other assumptions, where the pension fund Trustees are required to adopt "prudent" assumptions whereas IAS 19 requires "best estimate".

Public Sector Section	£bn
Deficit on funding basis (estimated at 31 March 2015)	(0.8)
Lower discount rate used for IAS 19 valuation	(2.9)
Impact of "best estimate" assumptions rather than "prudent"	0.6
Other (including difference in asset value)	0.4
Deficit at 31 March 2015 under IAS 19	<u>(2.7)</u>

- 7.5 The Code requires that IAS 19 does not impact on Council Tax rates. The income and expenditure account therefore includes an appropriation from or to the Pensions Reserve. The result of these entries is that the pensions deficit is not charged to the general fund, and is instead charged to a separate reserve, and only the actual contributions paid to the pension funds impact on the general fund.

8 Borrowings

- 8.1 Incremental borrowing for the year, in accordance with the 2013 Spending Review, was £650m taking total borrowing at 31 March 2015 to £8.5bn. Of the borrowing taken out in the year, £100m relates to the sixth and final instalment of the £1bn European Investment Bank loan in respect of the Crossrail project.
- 8.2 On 7 March 2014, TfL agreed a 50-year £370m bond with a delayed settlement date of 7 April 2014 and a fixed rate coupon of 4 per cent. This was recognised as a 2014/15 transaction in the financial statements. This bond was tapped in May 2014 for an additional £130m, again with a fixed rate coupon of 4 per cent. The tap has now funged with the original bond issue making the total issuance of £500m.
- 8.3 In addition, TfL issued a further £72m of short term Commercial Paper and made scheduled repayments totalling £22m in relation to inherited debt.

9 Derivatives and Hedging

- 9.1 TfL, through a wholly owned subsidiary, holds a portfolio of derivatives to hedge interest rates on its issued and future borrowings. As at 31 March 2015, the Group has in place interest rate swaps to fix the interest rate on £725m of floating rate borrowings currently in issue. The Group also holds an interest rate swap to hedge the interest rate risk in a lease of rolling stock. No new interest rate derivatives were taken out in 2014/15.
- 9.2 During the year, the Group entered into a forward rate agreement to purchase euros in relation to the purchase of Tram rolling stock over the period to June 2016. At the year end the nominal value of the derivative outstanding was £3.2m.
- 9.3 TfL has adopted hedge accounting for the above derivatives. The effect of this is that movements in the fair value of the derivatives are initially deferred in reserves rather than flowing through the income and expenditure statement. The amounts deferred are subsequently recognised in the income statement as the hedged items are recognised. In 2014/15 this has resulted in the recognition as a financing expense of £7.2m previously deferred in respect of gilt locks, as the hedged borrowings have now been drawn down.
- 9.4 In 2014/15, the Group also diversified its investment portfolio and, for the first time, invested in approved counterparties in Euros and US Dollars. It employed foreign currency swaps and forwards to swap these investments back into Sterling as a matter of course. Hedge accounting was not applied to these derivatives as, at the Group level, unrealised fair value movements on the derivatives net off within the Surplus on the Provision of Services with the unrealised exchange rate gains or losses resulting from the retranslation of the foreign currency investments themselves.

10 Property Valuations

- 10.1 This year has again seen a significant increase in property valuations, both investment property and also office buildings currently occupied by the Group and included on the Balance Sheet in “property, plant and equipment”. All valuations were undertaken by external professionally qualified valuers. The valuations were prepared in accordance with the appropriate sections of the Royal Institution of Chartered Surveyors -Valuation Professional Standards 2014 UK Edition (the "Red Book") and are compliant with International Valuation Standards.
- 10.2 Investment property has seen an increase in fair value of £200m, of which 75 per cent relates to the Group’s interests at Earl’s Court following the establishment of the joint venture with Capital & Counties Properties PLC (Capco) for the development of Earls Court 1 & 2 in line with the Earls Court masterplan. Other movements reflect the general improvement in the property market with improvements in rental values and yields.
- 10.3 Office buildings have seen an increase in value of £95m, driven by generally higher rental values and lower yields in line with market movements. The majority of this relates to 55 Broadway and offices at Buckingham Palace Road.
- 10.4 All revenue raised from property transactions is reinvested in the transport network. However, the valuation gains on property are unrealised and therefore do not represent resources available to TfL.

11 Reconciliation between Operating and Financial Review and Profit and Loss

- 11.1 Net revenue activity “Margin” as reported in the quarter 4 Operating and Financial Review (OFR) was £(1,453)m. The surplus on provision of services before tax in the Group Comprehensive Income and Expenditure Statement is £2,304m. Some of the differences relate to items not included in Margin but required to be included in the Income and Expenditure Statement, and other difference arise from differing treatment of items explained below and summarised in the table in 11.4.
- 11.2 Items not included in Margin in the OFR but included in the Income and Expenditure Statement:
- (a) all grant income, whether capital or revenue in nature, is required to be included;
 - (b) depreciation and amortisation;
 - (c) gains and losses on the disposal of fixed assets; and
 - (d) valuation gains and losses on the revaluation of investment property.

11.3 Items where the treatment is different:

- (a) The capital repayments relating to PFI contracts are included in the Margin but they are not included in the surplus on provision of services; and
- (b) The cost of retirement benefits in the OFR is based on cash flows rather than the IAS 19 service cost and financing cost.

11.4 Reconciliation from OFR to accounts

	£m
Net revenue activity margin as reported in quarter 4 OFR	(1,453)
Grant income	4,560
Depreciation and amortisation	(1,040)
Valuation gains on investment property	200
Capital repayments on PFI	112
Pensions differences	(28)
Other	(47)
	<hr/> 2,304 <hr/>

12 Subsidiary companies audit exemption

- 12.1 For the year ended 31 March 2014, the Group took advantage of recent changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.
- 12.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL's trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.
- 12.3 For the year ended 31 March 2015, the majority of TTL's subsidiaries will claim exemption from audit.

List of appendices to this report:

Appendix 1 – Draft Statement of Accounts

List of Background Papers:

None

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Transport for London

Annual Report and Financial Statements
Year ended 31 March 2015

Audit and Assurance Committee

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Explanatory Foreword and Financial Review

Highlights

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

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

- The opening of Pudding Mill Lane DLR station, boosting capacity by an extra 1,100 customers an hour.
- The introduction of five-car trains on the London Overground network, boosting capacity by 25 per cent.
- Modernisation and improvements on the Northern line, leading to a 20 per cent increase in capacity.
- Following the introduction of contactless payments on buses in December 2012, contactless payment was successfully launched on the Tube, trams, DLR, London Overground and most National Rail services in London in September 2014.
- Good progress has been made on the project to strengthen the Hammersmith flyover, with the works due to be completed in Spring 2016.
- Progress has been made on the Cycle Superhighways programme, and development works have started on a Central London Grid and new Quietway routes.

Financial Performance

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

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

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

Explanatory Foreword and Financial Review (continued)

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

Funding sources

TfL's activities are funded from six main sources:

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

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

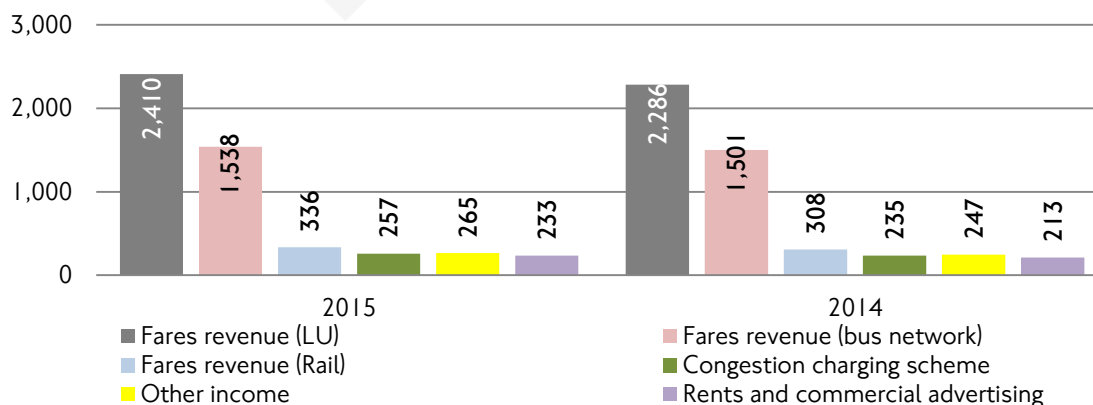
Revenue

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

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

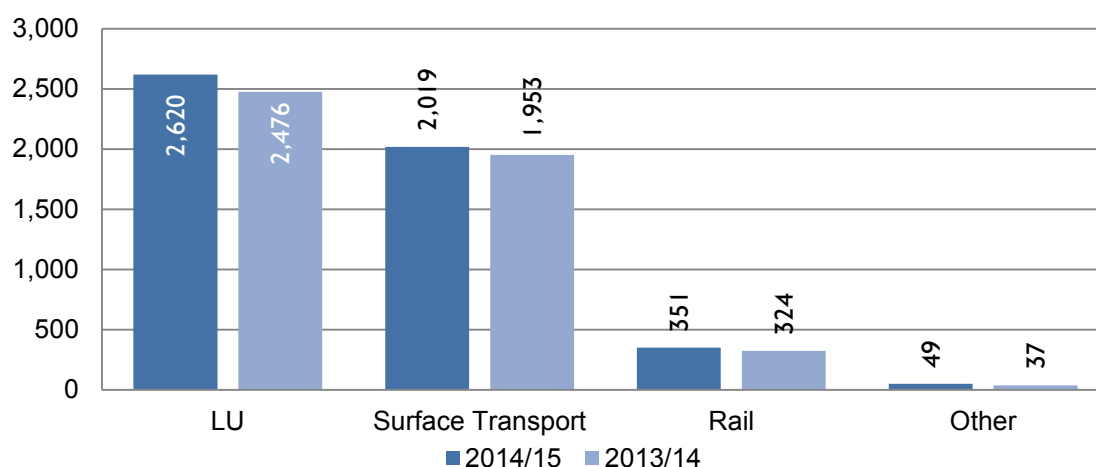
Fares revenue in LU was £2,410m, 5.4 per cent up on 2013/14. This reflected a year-on-year increase in passenger journeys of 3.2 per cent combined with fare increases.

Revenue breakdown by type (£m)



Explanatory Foreword and Financial Review (continued)

Total revenue by business unit (£m)



Within Surface Transport, on the bus network, passenger journeys increased from 2.382 billion in 2013/14 (as adjusted for consistency with TfL's new methodology for measuring journeys) to 2.385 billion in 2014/15. This increase contributed to an overall increase in the bus network income to £1,538 million, 2.5 per cent higher than the previous year's total of £1,501 million.

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

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

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

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

Explanatory Foreword and Financial Review (continued)

Government grants and other funding

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

Prudential Borrowing

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

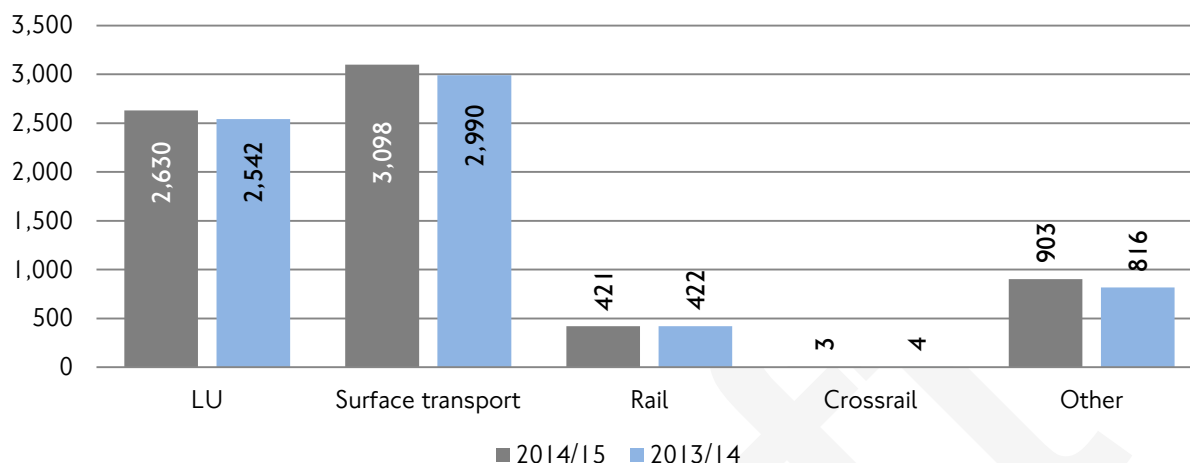
Movement in borrowing £m		
Opening borrowing at 1 April 2014	7,867	
European Investment Bank loan - Crossrail	100	The final instalment of a total facility of £1 bn drawn down over six years. The loan has an average fixed interest rate of 4.8505 per cent with repayment dates between 2024 and 2048.
£500m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

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

Explanatory Foreword and Financial Review (continued)

Uses of funding

Operational expenditure £m



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

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

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

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

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

Explanatory Foreword and Financial Review (continued)

Net interest and finance charges

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

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

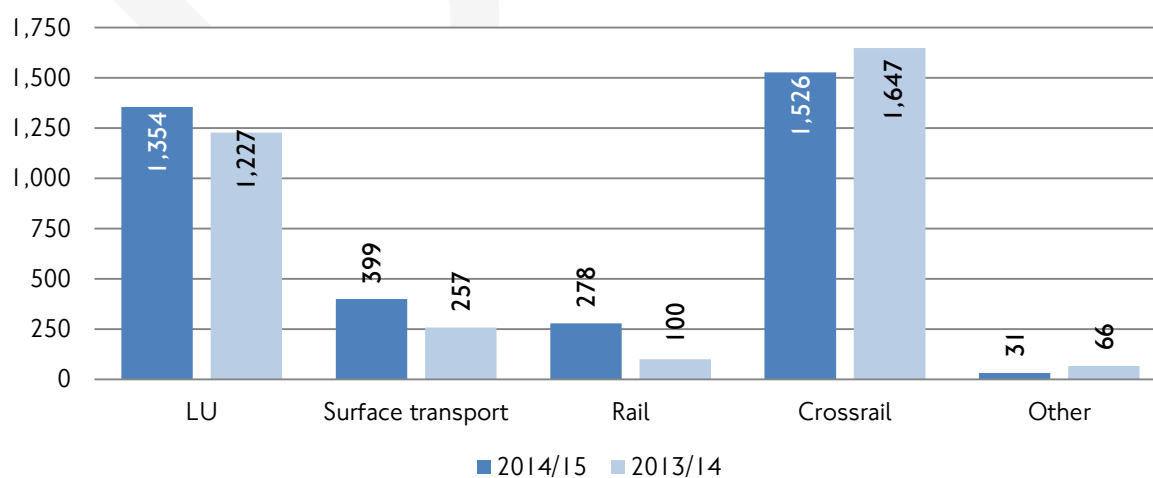
This increase was offset by an increase in the amount of borrowing expenses capitalised into the cost of qualifying property, plant and equipment. Interest capitalised rose from £59 million in 2013/14 to £74 million in 2014/15. Interest payable on finance leases also fell from £56 million in 2013/14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

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

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

Capital expenditure

Capital expenditure by business area (£m)



Explanatory Foreword and Financial Review (continued)

Total capital expenditure for the year was £3,588 million (2014 £3,297 million).

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

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

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

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

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

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

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

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

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

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

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

Explanatory Foreword and Financial Review (continued)

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

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

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

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

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

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

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

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

Explanatory Foreword and Financial Review (continued)

During the year, £1,526 million was spent on the Crossrail project. This takes the total spend on the project to date to £7.4 billion including the acquisition of land and property. By the end of the year, the Project was broadly 65 per cent complete. Six of the eight Tunnel Boring Machines ('TBMs') had reached their destinations and cumulatively completed 42km of tunnelling. In addition, almost 13km 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.

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

Cash and investments

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

Treasury risk management

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

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

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

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

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

Explanatory Foreword and Financial Review (continued)

Counterparty credit

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

Funding and liquidity

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

Interest rates

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

Pensions

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

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

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

Explanatory Foreword and Financial Review (continued)

Prospects and outlook

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

Many schemes are underway to address these challenges, including:

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

Explanatory Foreword and Financial Review (continued)

Key risks

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

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

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

Accounting statements

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

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

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

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

Explanatory Foreword and Financial Review (continued)

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

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

The Statement of Accounts comprises:

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

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

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

The Balance Sheet

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

Explanatory Foreword and Financial Review (continued)

The Cash Flow Statement

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

Movement in Reserves Statement

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

Statement of Responsibilities for the Accounts

The Corporation is required to:

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

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

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

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

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

Andrew Pollins

Chief Finance Officer

2015

Independent Auditor's Report to Transport for London

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

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and the Corporation as at 31 March 2015 and of the Group's and Corporation's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Matters on which we report by exception

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

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

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

Corporation's responsibilities

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

Auditor's responsibilities

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

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

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

Basis of conclusion

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

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

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

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

Conclusion

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

Delay in certification of completion of the audit

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

Robert Brent

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

[] July 2015

Group Comprehensive Income and Expenditure Statement

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

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

Group Balance Sheet

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

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

Boris Johnson
Chair of TfL

Group Movement in Reserves Statement

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

Group Movement in Reserves Statement (continued)

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

Draft

Group Statement of Cash Flows

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

Corporation Comprehensive Income and Expenditure Statement

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

* See note 42



Corporation Balance Sheet

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

* See note 42

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

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

Boris Johnson

Chair of TfL

Corporation Movement in Reserves Statement

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

Corporation Movement in Reserves Statement (continued)

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

Draft

Corporation Statement of Cash Flows

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

Accounting Policies

a) Code of practice

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

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

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

Capital grants and contributions

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

FRS 30 Heritage assets

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

IAS 36 Impairment of assets

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

Accounting Policies (continued)

a) Code of practice (continued)

IFRS 13 Fair value measurement

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

b) Basis of preparation

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

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

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

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

c) Basis of consolidation

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

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

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

Accounting Policies (continued)

d) Going concern

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

e) The application of new and revised standards

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

- 'Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities'. The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities;
- 'Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities'. The amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement';
- 'Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets'. These amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.
- 'Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting'. These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness; and
- 'IFRIC 21 Levies'. This interpretation addresses the issue of when to recognise a liability to pay a levy. IFRIC 21 defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

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

Accounting Policies (continued)

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

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

- 'IFRS 9 Financial Instruments (as revised in 2014)'. IFRS 9 (as revised in 2014) will supersede 'IAS 39 Financial Instruments: Recognition and Measurement'. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. The revised standard is mandatory for years beginning on or after 1 January 2018;
- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2017). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services;
- 'Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations' (mandatory for years commencing on or after 1 January 2016). These amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitutes a business;
- 'Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation' (mandatory for years commencing on or after 1 January 2016). The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; whilst the amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset;

Accounting Policies (continued)

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

- ‘Amendments to IAS 19 Defined Benefit Plans: Employee Contributions’ (mandatory for years commencing on or after 1 July 2014). The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or attribute them to the employees’ periods of service; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service;
- ‘Annual Improvements to IFRSs 2010-2012 Cycle’ (mandatory for years commencing on or after 1 July 2014). The Annual Improvements include amendments to a number of IFRSs including; IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures;
- ‘IFRS 14 Regulatory Deferral Accounts’ (mandatory for years commencing on or after 1 January 2016). IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities, and is available only to first-time adopters of IFRS who recognised regulatory deferral account balances under their previous GAAP. This does not apply to TfL; and
- ‘Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants’ (mandatory for years commencing on or after 1 January 2016). This does not apply to TfL.

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

g) Discontinued operations

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

h) Uses of estimates and judgements

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

Accounting Policies (continued)

h) Uses of estimates and judgements (continued)

Post-retirement benefits

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

Useful economic life of property, plant and equipment

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

Derivative financial instruments

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

Determining whether an arrangement contains a lease

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

Classification of investment properties

IAS 40 Investment properties ('IAS 40') require 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.

Accounting Policies (continued)

h) Uses of estimates and judgements (continued)

Leases

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

Provisions

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

Investment property

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

Office buildings

Office buildings held within property, plant and equipment are held at fair value (open market value on an existing use basis), as estimated by external, professionally qualified surveyors in accordance with 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.

Accounting Policies (continued)

i) Revenue recognition (continued)

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

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

Congestion charging

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

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

Road network compliance

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

Taxi licensing

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

Commercial advertising

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

Rental income

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

j) Segmental reporting

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

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

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

Accounting Policies (continued)

j) Segmental reporting (continued)

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

k) Grants and other funding

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

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

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

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

l) Overheads

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

m) Financing and investment income and expenses

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

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

Accounting Policies (continued)

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.

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.

Accounting Policies (continued)

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.

Accounting Policies (continued)

r) Property, plant and equipment (continued)

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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

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

Depreciation

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

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

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

Accounting Policies (continued)

r) Property, plant and equipment (continued)

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

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

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

s) Heritage assets

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

t) Investment property

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

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

Properties are valued by external, professionally qualified surveyors in accordance with 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.

Accounting Policies (continued)

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.

Accounting Policies (continued)

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.

Accounting Policies (continued)

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

Life cycle replacement

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

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

ad) Impairment of non-financial assets

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

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

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

ae) Employee benefits

Defined benefit plans

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

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

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

Accounting Policies (continued)

ae) Employee benefits (continued)

Defined benefit plans (continued)

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.

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

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

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

Unfunded pension schemes

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

Accounting Policies (continued)

ae) Employee benefits (continued)

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:

Accounting Policies (continued)

ag) Financial instruments (continued)

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.

Accounting Policies (continued)

ag) Financial instruments (continued)

Cash and cash equivalents

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

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

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

Financial liabilities measured at amortised cost

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

Accounting Policies (continued)

ag) Financial instruments (continued)

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.

Accounting Policies (continued)

ag) Financial instruments (continued)

Cash flow hedges

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

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

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

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

Fair value measurement of financial instruments

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

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

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

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.

Accounting Policies (continued)

ag) Financial instruments (continued)

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.

Draft

Notes to the Financial Statements

I. Gross income

a) Gross income

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

b) Congestion charging

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

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

Notes to the Financial Statements

I. Gross income (continued)

c) Street works

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

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

Notes to the Financial Statements (continued)

2. Segmental analysis

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

Year ended 31 March 2015

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

Year ended 31 March 2014

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

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.
- Until 1 April 2014 the London Transport Museum was treated at arm's length for management reporting and the only entry in relation to it in the management reports was the grant that TfL has agreed to pay to it. From 1 April 2015, the Museum has been fully consolidated into the Group's management reporting, and for 2014/15 its results are included within Corporate Items.
- Depreciation, amortisation and impairment charges are not included in the segmental analysis.
- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.
- Some interest income and debt servicing costs in the subsidiaries are included in net operating expenditure in the management reports but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

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

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

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

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

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

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

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

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

Notes to the Financial Statements (continued)

2. Segmental analysis (continued)

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

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

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

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

Notes to the Financial Statements (continued)

3. Gross expenditure

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

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Staff costs:					
Wages and salaries *		1,389.8	1,351.5	254.6	249.8
Social security costs		130.7	124.8	24.7	23.6
Pension costs	31	330.4	309.3	83.2	72.0
		1,850.9	1,785.6	362.5	345.4
Other service expenditure **		4,164.1	3,966.1	526.9	467.8
Depreciation	12	999.3	986.6	173.0	162.8
Amortisation of software intangibles	11	40.6	35.5	15.9	16.6
		7,054.9	6,773.8	1,078.3	992.6

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

** Included in the Corporation's other service expenditure is £173.1m (2013/14 £169.1m) relating to financial assistance to London Boroughs and other third parties (see note 38 for detailed analysis).

The average number of persons employed in the year was:

	Group 2015 Number	Group 2014 Number	Corporation 2015 Number	Corporation 2014 Number
Permanent staff (including fixed term contracts)	26,745	25,973	4,751	4,787
Agency staff	2,480	2,386	544	553
	29,225	28,359	5,295	5,340

Notes to the Financial Statements (continued)

4. External audit fees

External audit fees are made up as follows:

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Auditor's remuneration:				
for statutory audit services	1.2	1.4	0.2	0.2
for non-statutory audit services	0.1	0.2	-	-
for non-audit services *	0.3	0.2	0.1	0.1
	1.6	1.8	0.3	0.3

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

5. Remuneration

a) Employees' remuneration

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

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more has increased from 227 in 2013/14 to 272 in 2014/15. The corresponding figures for those receiving total remuneration of more than £100,000 are 40 for 2013/14 and 41 for 2014/15.

Excluding Crossrail the number of staff receiving total remuneration over £100,000 is 413 (2013/14 326).

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

Notes to the Financial Statements (continued)

5. Remuneration (continued)

a) Employees' remuneration

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

£	Group 2015 Number	Group 2014 Number	Corporation 2015 Number	Corporation 2014 Number
50,000 – 54,999	4,503	2,710	417	400
55,000 – 59,999	2,172	1,974	358	327
60,000 – 64,999	1,510	1,349	257	255
65,000 – 69,999	1,110	970	208	200
70,000 – 74,999	762	633	165	149
75,000 – 79,999	543	464	108	111
80,000 – 84,999	338	307	74	72
85,000 – 89,999	231	229	55	61
90,000 – 94,999	179	143	37	33
95,000 – 99,999	121	119	32	32
100,000 – 104,999	106	83	31	31
105,000 – 109,999	72	48	20	13
110,000 – 114,999	45	39	16	12
115,000 – 119,999	36	37	9	13
120,000 – 124,999	23	27	7	8
125,000 – 129,999	27	12	12	3

Notes to the Financial Statements (continued)

5. Remuneration (continued)

£	Group 2015 Number	Group 2014 Number	Corporation 2015 Number	Corporation 2014 Number
130,000 – 134,999	13	13	4	4
135,000 – 139,999	14	9	3	7
140,000 – 144,999	11	8	5	5
145,000 – 149,999	12	9	1	4
150,000 – 154,999	12	12	4	5
155,000 – 159,999	8	8	5	2
160,000 – 164,999	8	4	4	2
165,000 – 169,999	6	8	1	3
170,000 – 174,999	5	2	-	-
175,000 – 179,999	6	4	3	4
180,000 – 184,999	6	2	3	-
185,000 – 189,999	2	5	1	2
190,000 – 194,999	2	2	-	2
195,000 – 199,999	3	5	1	4
200,000 – 204,999	3	2	1	1
205,000 – 209,999	3	-	2	-
210,000 – 214,999	2	2	1	1
215,000 – 219,999	2	3	2	1
220,000 – 224,999	5	-	-	-
225,000 – 229,999	1	3	-	-
230,000 – 234,999	3	1	2	-
235,000 – 239,999	2	1	1	-
245,000 – 249,999	1	-	-	-

Notes to the Financial Statements (continued)

5. Remuneration (continued)

£	Group 2015 Number	Group 2014 Number	Corporation 2015 Number	Corporation 2014 Number
250,000 – 254,999	1	1	-	-
255,000 – 259,999	1	2	-	-
260,000 – 264,999	1	-	-	-
265,000 – 269,999	1	-	1	-
270,000 – 274,999	1	1	-	1
290,000 – 294,999	2	2	1	1
300,000 – 304,999	-	1	-	1
320,000 – 324,999	1	-	1	-
325,000 – 329,999	-	1	-	-
335,000 – 339,999	1	-	-	-
340,000 – 344,999	-	1	-	1
350,000 – 354,999	1	2	1	-
360,000 – 364,999	1	1	1	1
365,000 – 369,999	-	1	-	-
390,000 – 394,999	1	1	1	1
415,000 – 419,999	-	1	-	-
420,000 – 424,999	1	-	-	-

Notes to the Financial Statements (continued)

5. Remuneration (continued)

£	Group 2015 Number	Group 2014 Number	Corporation 2015 Number	Corporation 2014 Number
475,000 – 479,999	1	-	1	-
485,000 – 489,999	-	1	-	1
700,000 – 704,999	-	1	-	-
870,000 – 874,999	1	-	-	-
Total	11,923	9,264	1,857	1,774

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Notes to the Financial Statements (continued)

5. Remuneration (continued)

b) Remuneration for senior employees (continued)

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 above.

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.

Notes to the Financial Statements (continued)

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in year 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions **** 2013/14 £
Current employees excluding Crossrail										
Peter Hendy, Commissioner	a	331,362	145,301	-	1,780	478,443	-	331,357	155,406	488,888
Steve Allen, Managing Director, Finance		* 288,574	74,520	-	769	363,863	29,730	* 288,581	76,680	365,905
Mike Brown, Managing Director, Rail and Underground		* 309,658	79,668	-	1,780	391,106	29,730	* 309,666	82,564	394,355
Howard Carter, General Counsel	b	* 261,976	59,899	-	1,780	323,655	29,730	* 241,316	61,413	304,986
Leon Daniels, Managing Director, Surface Transport		277,768	72,030	-	1,780	351,578	29,730	267,768	72,690	342,583
Michèle Dix, Managing Director, Crossrail 2	c	206,740	52,102	-	1,780	260,622	46,739	154,724	41,098	197,947
Vernon Everitt, Managing Director, Customer Experience, Marketing & Communications		229,020	64,813	-	1,780	295,613	29,730	228,775	64,354	295,254
Sarah Atkins, Commercial Director, Rail and Underground		* 185,297	28,888	-	1,385	215,570	16,366	* 169,372	23,423	194,525

Notes to the Financial Statements (continued)

5. Remuneration (continued)

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions **** 2013/14 £
Current employees excluding Crossrail										
Nicholas Brown, Interim Chief Operating Officer, Rail and Underground	d	* 86,814	-	-	-	86,814	-	-	-	-
Andrea Clarke, Director of Legal	e	137,808	26,100	-	1,385	165,293	25,941	130,500	26,100	158,330
Graeme Craig, Director of Commercial Development		150,000	22,500	-	1,385	173,885	27,514	137,500	20,000	159,230
Richard De Cani, Managing Director, Planning	f	* 155,278	26,000	-	1,457	182,735	25,707	* 131,820	19,500	153,050
Carl Devlin, Capacity Optimisation Programme Director	g	265,000	26,500	-	1,385	292,885	29,730	257,808	-	259,538
Garrett Emmerson, Chief Operating Officer Streets, Surface Transport		* 198,725	32,000	-	624	231,349	29,730	* 177,022	26,000	203,666
Stephen Field, Director of Pensions and Reward		* 185,436	27,565	-	1,385	214,386	29,730	* 160,556	26,820	189,106
Michael Flynn, Head of Delivery & Integration, Sub- Surface Railway Upgrade	h	163,157	12,614	-	1,385	177,156	29,730	68,124	-	68,732
Stuart Harvey, Sub-Surface Railway Upgrade Programme Director	i	168,493	52,000	-	1,385	221,878	27,526	130,000	26,000	157,730
Nigel Holness, Operations Director, Jubilee, Northern & Piccadilly Lines		* 162,672	41,100	-	1,385	205,157	29,426	* 151,020	21,000	173,840
Simon Kilonback, Director of Group Treasury		150,987	25,000	-	1,385	177,372	29,426	141,616	25,000	168,346
Chris Macleod, Director of Marketing		* 168,189	30,000	-	-	198,189	29,730	* 162,682	30,000	192,682

Notes to the Financial Statements (continued)

5. Remuneration (continued)

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions 2013/14 £
Current employees excluding Crossrail										
Andrew Pollins, Interim Chief Finance Officer	j	* 177,229	27,380	-	1,385	205,994	29,730	* 157,490	28,120	187,340
Gareth Powell, Director of Strategy and Service Development, London Underground	k	* 185,569	30,625	-	1,385	217,579	43,625	* 180,978	36,100	218,808
Andrew Quincey, Director of Commercial		* 176,421	22,500	-	1,385	200,306	29,730	* 154,652	20,000	176,382
Patricia Riley, Human Resources Director		* 200,256	31,500	-	624	232,380	29,730	* 191,550	23,975	216,169
Martin Rowark, Director of Commercial, Line Upgrades	l	123,730	-	-	1,005	124,735	21,350	-	-	-
Michael Strzelecki, Director of Business Transformation		160,000	21,000	-	1,385	182,385	-	160,000	27,200	188,930
Paul Thomas, Head of Engineering, Sub-Surface Railway Upgrade Programme	m	172,037	20,228	-	1,385	193,650	29,730	119,762	-	120,983
Steve Townsend, Chief Information Officer		163,726	22,500	-	1,385	187,611	37,418	159,834	20,000	181,564
Shashi Verma, Director of Customer Experience		* 187,655	35,000	-	624	223,279	38,415	* 182,439	35,000	218,083
David Waboso, Director of Capital Programmes, London Underground		* 258,604	76,950	-	1,385	336,939	41,911	* 245,075	44,650	291,455
Stephen White, Operations Director, Sub-Surface Lines	n	205,978	20,000	-	1,381	227,359	-	-	-	-
John Gaudette, Delivery Manager, Tubelines	o	88,623	-	-	-	88,623	8,964	-	-	-

Notes to the Financial Statements (continued)

5. Remuneration (continued)

	Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions 2013/14 £
Crossrail current office holders/employees										
Terry Morgan, Non-executive Chairman	p	250,000	-	-	1,385	251,385	-	250,000	-	251,735
Andrew Wolstenholme, Chief Executive		514,621	358,848	-	1,385	874,854	35,250	523,078	176,130	700,943
David Allen, Finance Director		264,231	156,897	-	1,385	422,513	35,250	256,660	70,139	328,534
Martin Buck, Commercial Director		170,329	101,130	-	624	272,083	35,250	170,595	40,800	212,540
Mark Fell, Legal Services Director & Company Secretary		160,225	62,189	-	1,385	223,799	37,932	156,327	25,495	183,557
Robert Flanagan, Finance Operations Director	q	157,988	23,676	-	1,385	183,049	35,250	157,680	25,925	185,340
Steven Hails, Health & Safety Director		195,320	29,298	-	1,385	226,003	35,250	193,990	32,300	228,025

Notes to the Financial Statements (continued)

5. Remuneration (continued)

Notes	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in 2014/15** £	Compensation for loss of employment 2014/15 £	Benefits in kind 2014/15 £	Total remuneration excluding pension contributions 2014/15 £	Employer's contribution to pension 2014/15 £	Salary (including fees and allowances) 2013/14 £	Performance related pay for 2012/13 paid in year*** 2013/14 £	Total remuneration excluding pension contributions **** 2013/14 £
Crossrail current office holders/employees									
	175,216	34,485	-	1,385	211,086	35,250	170,972	29,700	202,407
Ian Lindsay, Land and Property Director									
Duncan Pickard, Stations Delivery Officer	r	54,491	-	-	54,491	5,498	-	-	-
Chris Sexton, Technical Director		202,952	33,554	-	1,385	237,891	198,548	32,640	232,923
Andrew Turner, IT Director	s	88,984	-	-	799	89,783	-	-	-
Simon Wright, Programme Director	t	204,874	-	-	993	205,867	-	-	-
Mark Warren, Head of Performance	u	54,353	-	-	460	54,813	-	-	-
Paul Grammer, Commercial Director	v	70,000	-	-	460	70,460	-	-	-
Howard Smith, Director of Operations, Crossrail		* 190,774	30,625	-	1,385	222,784	* 190,818	35,000	227,548
Valerie Todd, Talent and Resources Director	w	* 219,607	42,490	-	1,780	263,877	* 211,519	45,525	259,169
Former employees									
Gerald Duffy, Director of Employee Relations, London Underground	x	* 20,661	22,540	183,464	384	227,049	* 164,226	25,545	190,415
David Goldstone, Chief Finance Officer	y	88,279	25,000	-	-	113,279	177,536	-	177,536
Philip Hufton, Chief Operating Officer, Rail & Underground	z	216,890	41,800	-	1,032	259,722	299,403	52,800	353,586
Kenneth Laird, Head of Program ATC	aa	* 54,940	15,337	-	1,385	71,662	* 150,165	-	151,648
Andy Mitchell, Programme Director	ab	99,024	82,320	-	400	181,744	331,600	84,672	418,007

Notes to the Financial Statements (continued)

5. Remuneration (continued)

b) Remuneration for senior employees

- * 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 2013/14 Performance Related Pay awards
- *** Refers to 2012/13 Performance Related Pay awards
- **** Total remuneration for 2013/14 also includes benefits in kind as reported in last year's Statement of Accounts
- a salary sacrificed for pension of £17,082 (2013/14 £17,087)
- b salary sacrificed for childcare vouchers of £1,144 (2013/14 £1,144)
- c formerly Managing Director, Planning. Changed from part-time to full-time basis on 1 January 2014. Worked full-time for most of 2014/15, reverting to part-time three days per week on 5 February 2015 on taking up the current role on Crossrail 2
- d entered service 15 December 2014
- e paid for providing services four and a half days per week
- f changed role in year, formerly Director of Transport Strategy & Planning
- g entered service 14 January 2013
- h entered service 31 October 2013
- i changed role in year, formerly Programme Director JNP
- j seconded to CFO role from substantive post of Finance Director, Rail & Underground
- k salary sacrificed for childcare vouchers of £nil (2013/14 £2,200)
- l entered service 14 July 2014
- m entered service 22 July 2013
- n entered service 7 April 2014
- o entered service 9 December 2014
- p paid for providing services three days per week

Notes to the Financial Statements (continued)

5. Remuneration (continued)

b) Remuneration for senior employees

- q salary sacrificed for childcare vouchers of £1,320 (2013/14 £440)
- r entered service 8 December 2014
- s entered service 3 September 2014 and paid for providing services four days per week
- t entered service 14 July 2014
- u entered service 1 December 2014
- v entered service 1 December 2014
- w employed by TfL but on secondment to Crossrail since January 2009
- x left service 16 May 2014
- y left service 30 September 2014
- z left service 2 January 2015
- aa left service 11 July 2014
- ab left service 14 July 2014

5. Remuneration (continued)

c) Termination payments

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

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

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

Notes to the Financial Statements (continued)

5. Remuneration (continued)

c) Termination payments (continued)

£	Group 2015 Number	Group 2015 £m	Corporation 2015 Number	Corporation 2015 £m	Group 2014 Number	Group 2014 £m	Corporation 2014 Number	Corporation 2014 £m
Non-compulsory exit packages								
0 – 20,000	22	0.3	8	0.1	49	0.6	35	0.5
20,001 – 40,000	35	1.0	12	0.3	37	1.0	26	0.7
40,001 – 60,000	39	1.9	14	0.7	43	2.3	28	1.5
60,001 – 80,000	24	1.7	9	0.6	21	1.5	9	0.6
80,001 – 100,000	22	2.0	6	0.5	14	1.2	5	0.4
100,001 – 150,000	29	3.5	9	1.1	9	1.0	1	0.1
150,001 – 200,000	9	1.6	4	0.7	5	0.8	4	0.7
200,001 – 250,000	6	1.3	1	0.2	-	-	-	-
250,001 – 300,000	2	0.5	-	-	2	0.6	-	-
300,001 – 350,000	1	0.3	-	-	-	-	-	-
Total non-compulsory exit packages	189	14.1	63	4.2	180	9.0	108	4.5
Compulsory exit packages								
20,001 – 40,000	1	-	-	-	-	-	-	-
40,001 – 60,000	-	-	-	-	2	0.1	-	-
Total	190	14.1	63	4.2	182	9.1	108	4.5

Notes to the Financial Statements (continued)

6. Other operating expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Net loss on disposal of property, plant and equipment and intangible assets	(19.5)	(121.9)	(2.1)	(2.7)
Total other operating expenditure	(19.5)	(121.9)	(2.1)	(2.7)

7. Financing and investment income

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Note				
Interest income on bank deposits	26.2	21.2	25.9	20.7
Realised exchange gain on foreign currency investments	1.8	-	1.8	-
Interest income on loans to subsidiaries	-	-	273.7	247.0
Change in fair value of investment properties	200.2	177.6	2.1	3.5
Net gain on disposal of investment properties	0.8	15.2	0.9	1.9
Other investment income	0.3	0.5	-	-
	229.3	214.5	304.4	273.1

Notes to the Financial Statements (continued)

8. Financing and investment expenditure

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Interest payable on loans and derivatives		356.5	321.7	325.6	295.8
Interest payable on loans to subsidiaries		-	-	0.1	1.3
Interest payable on finance lease liabilities		51.7	56.0	8.1	8.4
Contingent rentals on PFI contracts		12.3	12.3	4.1	4.0
Premiums on early repayment of borrowings and finance lease liabilities		-	30.2	-	23.2
Net interest on defined benefit obligation	31	102.4	121.8	101.0	119.0
Other financing and investment expenditure		1.5	1.4	0.9	0.7
		524.4	543.4	439.8	452.4
less: amounts capitalised into qualifying assets	12	(73.7)	(59.3)	-	-
		450.7	484.1	439.8	452.4

Notes to the Financial Statements (continued)

9. Grant income

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Non ring-fenced grant from the DfT used to fund operations	104.4	632.8	104.4	632.8
Other revenue grant received	960.5	846.0	960.5	845.9
Council tax precept	6.0	6.0	6.0	6.0
Total grants allocated to revenue	1,070.9	1,484.8	1,070.9	1,484.7
Non ring-fenced grant from the DfT used to fund capital	1,728.2	1,578.4	1,728.2	1,578.4
Ring-fenced grant used to fund capital expenditure relating to Crossrail	1,582.2	2,022.8	1,582.2	2,022.8
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	30.0	75.0	30.0	75.0
Other capital grants and contributions received	148.8	151.3	101.1	80.8
Total grants allocated to capital	3,489.2	3,827.5	3,441.5	3,757.0
Total grants	4,560.1	5,312.3	4,512.4	5,241.7
Allocation of capital grants				
	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Capital grant funding of subsidiaries	-	-	1,356.9	1,395.1
Applied capital grants (note 33)	3,267.3	3,262.1	1,862.7	1,796.5
Unapplied capital grants (note 35)	221.9	565.4	221.9	565.4
Total capital grants	3,489.2	3,827.5	3,441.5	3,757.0

Notes to the Financial Statements (continued)

10. Taxation

TfL Corporation is exempt from corporation tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation tax

The Group tax expense for the year, based on the rate of corporation tax of 21 per cent (2014 23 per cent) comprised:

	Group 2015 £m	Group 2014 £m
UK corporation tax	-	0.1
Total tax expense for the year	-	0.1

Reconciliation of tax expense

	Group 2015 £m	Group 2014 £m
Surplus on the provision of services before tax	2,303.5	2,936.6
Surplus on the provision of services before tax multiplied by standard rate of corporation tax in the UK of 21% (2014 23%)	483.7	675.4
Effects of:		
Non-taxable income	(163.4)	(144.9)
Permanent difference in TfL Corporation	(324.2)	(549.9)
Amount charged to current tax for which no deferred tax was recognised	(13.6)	(3.2)
Tax losses carried forward for which no deferred tax was recognised	18.1	22.9
Overseas earnings	(0.6)	(0.2)
Total tax expense for the year	-	0.1

Notes to the Financial Statements (continued)

10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,593.5m (2014 £1,520.9m) in respect of the following items:

	Group 2015 £m	Group 2014 £m
Deductible temporary differences	527.6	464.5
Tax losses	1,065.9	1,056.4
Unrecognised deferred tax asset	1,593.5	1,520.9

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

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

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

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

	Balance at 1 April 2014 £m	Movement in period £m	Balance at 31 March 2015 £m
For the year ended 31 March 2015			
Deferred tax assets			
Property, plant and equipment	82.7	33.6	116.3
Derivative financial instruments	34.9	1.0	35.9
Total	117.6	34.6	152.2
Deferred tax liabilities			
Investment properties	(113.8)	36.8	(77.0)
Assets held for sale	-	(75.1)	(75.1)
Other	(3.8)	3.7	(0.1)
Total	(117.6)	(34.6)	(152.2)
Net deferred tax asset/(liability)	-	-	-

Notes to the Financial Statements (continued)

10. Taxation (continued)

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

	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)	-	-	-

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

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to changes in the market value of the properties.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances disclaimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £99.2m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has increased due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 24% to 23% on 1 April 2013 and from 23% to 21% on 1 April 2014. On 2 July 2013, a further Corporation Tax rate reduction to 20% was enacted, effective from 1 April 2015. Deferred tax balances at 31 March 2015 have therefore been calculated at a rate of 20%.

No deferred tax asset has been recognised on the Corporation's pension deficit of £2,862.7m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however no deferred tax assets are being recognised in these entities.

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 2013		229.3	35.9	349.2	614.4
Additions		39.6	17.1	-	56.7
Transfers to property, plant and equipment	12	-	(0.3)	-	(0.3)
Transfers between asset classes		14.6	(14.6)	-	-
Disposals		(8.9)	-	-	(8.9)
At 31 March 2014		274.6	38.1	349.2	661.9
Additions		28.0	6.9	-	34.9
Net transfers from property, plant and equipment	12	1.4	5.5	-	6.9
Transfers between asset classes		30.1	(30.1)	-	-
Disposals		(3.5)	-	-	(3.5)
At 31 March 2015		330.6	20.4	349.2	700.2
Amortisation and impairment					
At 1 April 2013		161.6	-	349.2	510.8
Amortisation charge for the year	3	35.5	-	-	35.5
Disposals		(7.0)	-	-	(7.0)
At 31 March 2014		190.1	-	349.2	539.3
Amortisation charge for the year	3	40.6	-	-	40.6
Disposals		(3.5)	-	-	(3.5)
At 31 March 2015		227.2	-	349.2	576.4
Net book value at 31 March 2015		103.4	20.4	-	123.8
Net book value at 31 March 2014		84.5	38.1	-	122.6

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

Notes to the Financial Statements (continued)

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2013		139.4	4.7	144.1
Additions		25.7	0.2	25.9
Transfers to property, plant and equipment	12	-	(0.4)	(0.4)
Transfers between asset classes		4.3	(4.3)	-
Disposals		(1.6)	-	(1.6)
At 31 March 2014		167.8	0.2	168.0
Additions		20.7	0.1	20.8
Transfers between asset classes		0.2	(0.2)	-
Disposals		(3.3)	-	(3.3)
At 31 March 2015		185.4	0.1	185.5
Amortisation and impairment				
At 1 April 2013		115.7	-	115.7
Amortisation charge for the year	3	16.6	-	16.6
At 31 March 2014		132.3	-	132.3
Amortisation charge for the year	3	15.9	-	15.9
Disposals		(3.3)	-	(3.3)
At 31 March 2015		144.9	-	144.9
Net book value at 31 March 2015		40.5	0.1	40.6
Net book value at 31 March 2014		35.5	0.2	35.7

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

Notes to the Financial Statements (continued)

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2015 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2014		28,650.4	4,525.2	1,436.2	8,783.9	43,395.7
Additions		168.4	-	106.0	3,251.3	3,525.7
Transfers to intangible assets	11	-	-	-	(6.9)	(6.9)
Disposals		(307.4)	(36.6)	(22.7)	-	(366.7)
Transfers between asset classes		1,081.7	377.1	61.4	(1,520.2)	-
Revaluation		94.9	-	-	-	94.9
At 31 March 2015		29,688.0	4,865.7	1,580.9	10,508.1	46,642.7
Depreciation						
At 1 April 2014		11,225.2	1,980.4	920.7	-	14,126.3
Depreciation charge for the year	3	780.9	116.8	101.6	-	999.3
Disposals		(281.6)	(36.6)	(22.6)	-	(340.8)
Reclassifications		(9.2)	-	9.2	-	-
Revaluation		(4.3)	-	-	-	(4.3)
At 31 March 2015		11,711.0	2,060.6	1,008.9	-	14,780.5
Net book value at 31 March 2015		17,977.0	2,805.1	572.0	10,508.1	31,862.2
Net book value at 31 March 2014		17,425.2	2,544.8	515.5	8,783.9	29,269.4

Notes to the Financial Statements (continued)

12. Property, plant and equipment (continued)

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

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

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

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £73.7m (2014 £59.3m). The cumulative borrowing costs capitalised are £197.1m (2014 £123.4m).

At 31 March 2015, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £3,707.7m (2014 £2,404.9m).

Notes to the Financial Statements (continued)

12. Property, plant and equipment (continued)

c) Group PFI assets, and other leased assets

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

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	965.3	45.3	16.7	1,027.3
Other leased assets	-	407.7	-	407.7
	965.3	453.0	16.7	1,435.0
Depreciation				
PFI assets	341.3	34.6	16.7	392.6
Other leased assets	-	132.8	-	132.8
	341.3	167.4	16.7	525.4
Net book value at 31 March 2015	624.0	285.6	-	909.6
Net book value at 31 March 2014	660.9	299.3	0.7	960.9

d) Depreciation charge

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

	2015 £m	2014 £m
Depreciation of owned assets	948.0	928.3
Depreciation of assets held under PFI	39.9	46.4
Depreciation of asset held under other leases	11.4	11.9
Total depreciation	999.3	986.6

12. Property, plant and equipment (continued)

e) Group office buildings

Office buildings are valued at fair value (open market value on an existing use basis), by DTZ, a property valuation company not connected with the Group, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2015 was £247.9m (2014 £153.4m) and the depreciated historic cost value was £35.0m (2014 £36.3m).

f) Group and Corporation heritage assets

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

These assets are primarily former operational assets of the TfL group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2015, the latest available insurance value for the collection was £25.5m (2014 £24.3m). The net book value of these assets at 31 March 2015 was £nil (2014 £nil).

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2015 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2014		4,972.7	181.3	927.1	6,081.1
Additions		85.7	6.7	207.1	299.5
Transfers between asset classes		45.4	6.2	(51.6)	-
Disposals		(11.4)	-	-	(11.4)
At 31 March 2015		5,092.4	194.2	1,082.6	6,369.2
Depreciation					
At 1 April 2014		2,478.1	117.8	-	2,595.9
Depreciation charge for the year	3	148.6	24.4	-	173.0
Disposals		(9.3)	-	-	(9.3)
At 31 March 2015		2,617.4	142.2	-	2,759.6
Net book value at 31 March 2015		2,475.0	52.0	1,082.6	3,609.6
Net book value at 31 March 2014		2,494.6	63.5	927.1	3,485.2

Notes to the Financial Statements (continued)

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

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2014 £nil). The cumulative borrowing costs capitalised are also £nil (2014 £nil).

At 31 March 2015, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £204.1m (2014 £144.5m).

Notes to the Financial Statements (continued)

12. Property, plant and equipment (continued)

i) Corporation PFI assets, and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets. In addition, within intangible assets, the Corporation holds a further leased software asset with a gross cost at 31 March 2015 of £4.9m (2014 £4.9m) and a depreciated net book value of £2.9m (2014 £3.9m).

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	209.1	16.7	225.8
Depreciation			
PFI assets	80.4	16.7	97.1
Net book value at 31 March 2015	128.7	-	128.7
Net book value at 31 March 2014	136.3	0.7	137.0

j) Depreciation charge

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

	2015 £m	2014 £m
Depreciation of owned assets	164.7	153.5
Depreciation of assets held under PFI	8.3	9.3
Total depreciation	173.0	162.8

k) Corporation office buildings

The Corporation did not have any office buildings.

Notes to the Financial Statements (continued)

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2013		427.8	13.7
Additions		1.6	-
Transfers from property, plant and equipment		1.4	1.4
Disposals		(15.9)	(2.2)
Fair value adjustments	7	177.6	3.5
At 31 March 2014		592.5	16.4
Additions		27.3	-
Transfers to assets held for sale	18	(375.7)	-
Disposals		(6.5)	(2.3)
Fair value adjustments	7	200.2	2.1
At 31 March 2015		437.8	16.2

The fair value of the Group's investment properties at 31 March 2015 has been arrived at on the basis of valuations carried out at that date by DTZ, a property valuation company not connected with the Group.

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

Values are calculated using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties.

Notes to the Financial Statements (continued)

14. Investments in subsidiaries

	Corporation 2015 £m	Corporation 2014 £m
At 1 April	3,932.5	2,332.5
Investments in year	1,500.0	1,600.0
At 31 March	5,432.5	3,932.5

During the year, the Corporation increased its investment in ordinary share capital of Transport Trading Limited (TTL) by £1,500.0m (2014 £1,600.0m). TTL subsequently increased its investment in ordinary share capital in Crossrail Limited by the same amount.

Notes to the Financial Statements (continued)

14. Investments in subsidiaries (continued)

The Group's principal subsidiaries are:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Tube Lines Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
Docklands Light Railway Limited	Passenger transport by rail
City Airport Rail Enterprises Plc	Construction and maintenance of DLR lines
City Airport Rail Enterprises (Holdings) Limited	Holding company
Woolwich Arsenal Rail Enterprises Limited	Construction and maintenance of DLR lines
Woolwich Arsenal Rail Enterprises (Holdings) Limited	Holding company
Tramtrack Croydon Limited	Passenger transport by tram
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride
Victoria Coach Station Limited	Coach station
TTL Earls Court Properties Ltd	Property investment holding company
TTL Properties Ltd	Property investment holding company
London River Services Limited	Pier operator
Crossrail Limited	Construction of Crossrail infrastructure
Transport for London Finance Limited	Manages financial risk of the Group
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Trading company
London Transport Insurance (Guernsey) Limited	Insurance

The Group holds 100 per cent of the share capital of all subsidiaries. The financial statements of these companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited.

Notes to the Financial Statements (continued)

15. Investment in associated undertakings

The Corporation and Group hold, for a nominal consideration of £3,737, a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Ltd, a property development company, incorporated in England. The Group's investment is accounted for using the equity method in these consolidated accounts; however as trading had not yet commenced, as at 31 March 2015 the value of the Group's holding in the associate was immaterial.

16. Inventories

	Group 2015 £m	Group 2014 £m
Raw materials and consumables	53.1	46.9
Goods held for resale	0.8	0.8
	53.9	47.7

	Corporation 2015 £m	Corporation 2014 £m
Raw materials and consumables	1.6	5.1

There is no material difference between the balance sheet value of inventories and their net realisable value.

Notes to the Financial Statements (continued)

16. Inventories (continued)

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2013	42.0	3.8
Acquisitions	76.1	8.7
Recognised as an expense in the year:		
Consumed in the year	(69.0)	(7.4)
Goods sold in the year	(1.1)	-
Write-offs in the year	(0.3)	-
Balance at 31 March 2014	47.7	5.1
Purchases in the year	78.3	5.6
Recognised as an expense in the year:		
Consumed in the year	(73.7)	(9.6)
Goods sold in the year	(1.2)	-
Net write-backs in the year	2.8	0.5
Balance at 31 March 2015	53.9	1.6

Notes to the Financial Statements (continued)

17. Debtors

	Group 2015 £m	Group 2014 £m
Short-term		
Trade debtors	130.0	184.2
Capital debtors	13.2	10.3
Other debtors	87.3	29.8
Other tax and social security	94.0	84.8
Grant debtors	88.9	41.9
Amounts due relating to sale of non-current assets	9.9	22.8
Interest debtors	3.9	0.1
Accrued income	15.1	14.9
Prepayments for goods and services	166.3	179.5
	608.6	568.3
Long-term		
Amounts due from third parties	821.5	442.1
Amounts due relating to sale of non-current assets	-	1.0
Prepayments for goods and services	46.8	47.1
	868.3	490.2

Amounts due from third parties include funds totalling £832.0m (2014 £450.1m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £381.9m was advanced at periodic intervals during 2014/15. The receivable is non interest bearing and has been discounted to its fair value of £821.3m (2014 £439.3m) using a discount rate of 1.125 per cent (2014 1.125 per cent). It is repayable in full on 15 May 2016.



17. Debtors (continued)

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Trade debtors	18.8	17.2
Amounts due from subsidiary companies	105.5	148.7
Capital debtors	6.7	3.9
Other debtors	1.7	1.5
Other tax and social security	16.1	8.6
Grant debtors	84.3	35.0
Interest debtors	3.9	-
Accrued income	2.5	2.9
Prepayments for goods and services	50.8	48.7
	290.3	266.5
Long-term		
Loans made to subsidiary companies	8,098.8	7,449.6
Amounts due from third parties	0.2	-
Prepayments for goods and services	6.4	1.9
	8,105.4	7,451.5

18. Assets held for sale

	Note	Group £m
Balance at 1 April 2014		-
Assets newly classified as held for sale		
Investment properties		-
Balance at 31 March 2014		-
Assets newly classified as held for sale		
Investment properties	13	375.7
Balance at 31 March 2015		375.7

On 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earl's Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37 per cent by a subsidiary of the TfL Group and 67 per cent by a subsidiary of the Capco group. Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred.

As at 31 March 2015 the Group's investment in the Earl's Court land has been reclassified from investment property into assets held for sale and is held at its sale valuation. This valuation was carried out at 31 March by Jones Lang LaSalle Limited, a property valuation company not connected with the Group.

19. Other investments

	Group 2015 £m	Group 2014 £m
Short-term		
Investments held at amortised cost	4,548.4	4,432.8
Long-term		
Available for sale financial assets	10.1	203.4

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Investments held at amortised cost	4,521.9	4,415.1
Long-term		
Available for sale financial assets	10.1	203.4

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and also to Money Market Fund and repurchase agreement investments with a maturity of greater than three but less than twelve months. Long-term investments comprise long-term deposits and similar investments tradeable on an active market with a maturity of greater than twelve months.

Notes to the Financial Statements (continued)

20. Cash and cash equivalents

	Group 2015 £m	Group 2014 £m
Cash at bank	100.1	114.7
Cash in hand and in transit	19.3	21.6
	119.4	136.3

	Corporation 2015 £m	Corporation 2014 £m
Cash at bank	53.7	9.3

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Notes to the Financial Statements (continued)

21. Creditors

	Group 2015 £m	Group 2014 £m
Short-term		
Trade creditors	135.9	158.1
Accrued interest	85.1	65.3
Capital works	707.1	639.7
Retentions on capital contracts	1.7	2.7
Capital grants received in advance	32.5	15.3
Wages and salaries	117.3	106.6
Other taxation and social security creditors	28.7	34.1
Receipts in advance for travelcards, bus passes and Oyster cards	394.9	356.6
Other deferred income	46.0	83.3
Accruals and other payables	546.6	558.7
	2,095.8	2,020.4
Long-term		
Trade creditors	8.8	9.1
Capital grants received in advance	3.8	2.4
Retentions on capital contracts	49.3	28.5
Other deferred income	20.5	24.6
Accruals and other payables	23.1	8.8
	105.5	73.4

Notes to the Financial Statements (continued)

21. Creditors (continued)

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Trade creditors	45.1	41.8
Accrued interest	80.6	61.7
Capital works	89.3	59.7
Retentions on capital contracts	0.7	0.2
Capital grants received in advance	32.5	15.3
Amounts due to subsidiary companies	146.0	218.4
Wages and salaries	27.0	21.7
Other taxation and social security creditors	2.2	6.3
Other deferred income	11.4	13.1
Accruals and other payables	170.6	175.9
	605.4	614.1
Long-term		
Capital grants received in advance	3.8	2.4
Retentions on capital contracts	-	0.7
Other deferred income	10.9	10.7
Accruals and other payables	-	0.2
	14.7	14.0

22. Borrowings and overdrafts

	Group 2015 £m	Group 2014 £m
Short-term		
Borrowings	784.3	709.2
Long-term		
Borrowings	7,730.0	7,158.1

	Corporation 2015 £m	Corporation 2014 £m
Short-term		
Borrowings	784.3	709.2
Long-term		
Borrowings	7,738.4	7,167.1

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 30 (Funding and financial risk management).

On 15 May 2014, the Corporation fixed the interest rates and repayment dates for a £500m EIB Crossrail Rolling Stock and Depot Facility. This facility will split into two tranches of £250m, one bearing a fixed interest rate of 4.151 per cent and the other an interest rate of 4.173 per cent. Both tranches are to be drawn in 2017/18, and both have a 20 year tenor. On 9 December 2014, the Corporation also fixed an interest rate of 2.391 per cent for a 10 year £85m EIB LOCIP loan with a drawdown date of 21 May 2015.

These borrowings are expected to form part of TfL's incremental borrowing agreed with Government for 2015/16 and 2017/18 respectively and have not been recognised as a liability in these financial statements in accordance with IAS 39 Financial instruments: recognition and measurement.

Notes to the Financial Statements (continued)

23. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2015			
Not later than one year	133.5	(46.9)	86.6
Later than one year but not later than two years	135.7	(41.4)	94.3
Later than two years but not later than five years	309.4	(92.5)	216.9
Later than five years	467.3	(119.1)	348.2
	1,045.9	(299.9)	746.0
At 31 March 2014			
Not later than one year	127.5	(51.7)	75.8
Later than one year but not later than two years	133.5	(46.9)	86.6
Later than two years but not later than five years	348.6	(107.6)	241.0
Later than five years	563.9	(145.5)	418.4
	1,173.5	(351.7)	821.8
		2015 £m	2014 £m
Principal outstanding			
Short-term		86.6	75.8
Long-term		659.4	746.0
		746.0	821.8

23. Finance lease liabilities (continued)

b) Corporation finance lease liabilities

The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2015			
Not later than one year	18.7	(7.8)	10.9
Later than one year but not later than two years	18.4	(7.3)	11.1
Later than two years but not later than five years	52.0	(18.7)	33.3
Later than five years	148.6	(28.4)	120.2
	237.7	(62.2)	175.5
At 31 March 2014			
Not later than one year	16.0	(8.1)	7.9
Later than one year but not later than two years	18.7	(7.8)	10.9
Later than two years but not later than five years	53.6	(20.3)	33.3
Later than five years	165.3	(34.0)	131.3
	253.6	(70.2)	183.4
		2015 £m	2014 £m
Principal outstanding			
Short-term		10.9	7.9
Long-term		164.6	175.5
		175.5	183.4

24. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following Private Finance Initiative ('PFI') arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service concession arrangements.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	<p>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.</p> <p>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.</p>

24. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited ('LU')		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	<p>Design, installation, management and maintenance of integrated digital radio system.</p> <p>The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.</p>
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	<p>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.</p> <p>The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.</p>
Docklands Light Railway Limited ('DLR')		
Greenwich	1996 to 2021	<p>Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway.</p> <p>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.</p>

24. Private finance initiative contracts (continued)

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance liabilities in note 23.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
At 1 April	490.7	546.8	179.4	187.1
Payments	(86.5)	(85.9)	(14.6)	(15.8)
Interest	26.6	29.8	7.8	8.1
At 31 March	430.8	490.7	172.6	179.4

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
As at 31 March 2015				
Less than 1 year	23.2	67.3	75.2	165.7
Between 2 to 5 years	49.7	185.1	167.7	402.5
Between 6 to 10 years	27.5	116.5	257.4	401.4
Between 11 to 15 years	6.6	61.1	148.5	216.2
Between 16 to 20 years	-	0.8	1.8	2.6
	107.0	430.8	650.6	1,188.4

As at 31 March 2014

Less than 1 year	26.6	60.0	71.0	157.6
Between 2 to 5 years	59.6	170.9	159.9	390.4
Between 6 to 10 years	36.8	170.7	282.5	490.0
Between 11 to 15 years	10.4	84.1	184.9	279.4
Between 16 to 20 years	0.2	5.0	23.4	28.6
	133.6	490.7	721.7	1,346.0

24. Private finance initiative contracts (continued)

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
As at 31 March 2015				
Less than 1 year	7.5	9.9	16.4	33.8
Between 2 to 5 years	25.6	42.4	79.1	147.1
Between 6 to 10 years	21.8	59.0	143.7	224.5
Between 11 to 15 years	6.6	60.5	140.1	207.2
Between 16 to 20 years	-	0.8	1.8	2.6
	61.5	172.6	381.1	615.2
As at 31 March 2014				
Less than 1 year	7.8	6.9	13.3	28.0
Between 2 to 5 years	27.4	41.3	73.1	141.8
Between 6 to 10 years	24.2	54.5	134.8	213.5
Between 11 to 15 years	9.7	71.7	149.9	231.3
Between 16 to 20 years	0.2	5.0	23.4	28.6
	69.3	179.4	394.5	643.2

Notes to the Financial Statements (continued)

25. Derivative financial instruments

Group cash flow hedges

	Fair value 2015 £m	Notional amount 2015 £m	Fair value 2014 £m	Notional amount 2014 £m
Short-term assets				
Foreign currency forward contracts	22.6	484.0	-	-
Short-term liabilities				
Foreign currency forward contracts	1.3	113.4	0.3	7.0
Long-term liabilities				
Interest rate swaps	101.3	830.9	67.5	832.0

The Corporation has not entered into any derivative financial instruments.

26. Provisions

a) Group provisions

	At 1 April 2014 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation and contractual	87.3	(21.7)	62.8	(56.2)	72.2
Capital investment activities	226.8	(40.1)	52.3	(50.5)	188.5
Environmental harm	1.4	-	-	-	1.4
Severance and other	40.3	(3.6)	19.6	(3.8)	52.5
	355.8	(65.4)	134.7	(110.5)	314.6

	2015 £m	2014 £m
Due		
Short-term	230.2	201.2
Long-term	84.4	154.6
At 31 March	314.6	355.8

26. Provisions (continued)

b) Corporation provisions

	At 1 April 2014 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2015 £m
Compensation and contractual	15.0	(7.9)	24.4	(16.3)	15.2
Capital investment activities	226.8	(40.1)	52.3	(50.5)	188.5
Other	4.9	(1.7)	2.3	(3.1)	2.4
	246.7	(49.7)	79.0	(69.9)	206.1

	2015 £m	2014 £m
Due		
Short-term	128.0	120.0
Long-term	78.1	126.7
At 31 March	206.1	246.7

26. Provisions (continued)

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims. Estimates are made with reference to relevant market trends. Management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next year.

Severance and other

Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

27. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

Notes to the Financial Statements (continued)

28. Guarantees

Section 160 of the Greater London Authority Act 1999 (the 'GLA Act') sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under Section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with Pittville Leasing Limited	51
Agreement with Lombard North Central Plc	7
Agreement with APSLL	4

In addition TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

Notes to the Financial Statements (continued)

28. Guarantees (continued)

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2015 is £80.0m (2014 £67.8m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

All guarantees granted by TfL are over obligations of its subsidiaries which are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2015 the fair value of all financial guarantees granted has been recorded as £nil (2014 £nil).

29. Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2015					
Within one year	48.1	4.2	3.2	18.5	74.0
Between one and two years	45.2	4.4	1.5	21.9	73.0
Between two and five years	114.2	2.5	1.3	71.5	189.5
Later than five years	392.9	16.9	-	219.2	629.0
	600.4	28.0	6.0	331.1	965.5
At 31 March 2014					
Within one year	53.8	10.1	4.5	17.7	86.1
Between one and two years	49.2	4.8	2.4	18.5	74.9
Between two and five years	128.5	6.2	1.0	93.5	229.2
Later than five years	381.1	7.5	-	219.2	607.8
	612.6	28.6	7.9	348.9	998.0

29. Financial commitments (continued)

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2015				
Within one year	46.6	8.5	0.1	55.2
Between one and two years	39.5	4.1	0.1	43.7
Between two and five years	88.2	11.6	-	99.8
Later than five years	486.3	7.5	-	493.8
	660.6	31.7	0.2	692.5
At 31 March 2014				
Within one year	47.2	9.0	0.2	56.4
Between one and two years	42.3	5.5	0.1	47.9
Between two and five years	87.3	3.9	-	91.2
Later than five years	543.5	1.9	-	545.4
	720.3	20.3	0.3	740.9

29. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation operating lease agreements primarily relate to office space. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Total £m
At 31 March 2015		
Within one year	18.2	18.2
Between one and two years	18.0	18.0
Between two and five years	53.8	53.8
Later than five years	130.1	130.1
	220.1	220.1
At 31 March 2014		
Within one year	18.3	18.3
Between one and two years	18.2	18.2
Between two and five years	54.1	54.1
Later than five years	148.5	148.5
	239.1	239.1

29. Financial commitments (continued)

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2015		
Within one year	3.5	3.5
Between one and two years	3.3	3.3
Between two and five years	9.7	9.7
Later than five years	11.3	11.3
	27.8	27.8
At 31 March 2014		
Within one year	4.0	4.0
Between one and two years	3.8	3.8
Between two and five years	10.8	10.8
Later than five years	17.4	17.4
	36.0	36.0

30. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 ('the GLA Act'). TfL is funded by revenues (predominantly fares), grant and prudential borrowing. The majority of the Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board and the European Investment Bank, Medium Term Notes under the £5 billion TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2 billion TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy also takes account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued in 2011 for Treasury Management in the Public Services, the Local Government Act 2003, the local Authorities (Capital Finance and Accounting) Regulations 2003 and the fully revised second edition of CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2011, in managing the financial risks faced by the Group.

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Managing Director, Finance and the Chief Finance Officer. An annual report on overall performance against approved strategy is considered by the Finance and Policy Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only.

30. Funding and financial risk management (continued)

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the Board of Transport for London annually approves indicators for prudent and affordable borrowing, estimates of capital expenditure and for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum in-year incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The Board of Transport for London, through its Finance and Policy Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

(i) Trade and other receivables

The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2015					
Trade debtors	10.9	4.8	1.0	0.6	17.3
Group – 2014					
Trade debtors	14.6	3.3	2.5	2.4	22.8
Corporation – 2015					
Trade debtors	2.4	1.4	0.2	-	4.0
Corporation – 2014					
Trade debtors	2.4	1.7	0.1	-	4.2

30. Funding and financial risk management (continued)

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and Department for Communities and Local Government Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are only made with institutions included on an Approved Investment List and within limits approved by the Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; 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 accordance with the TfL Treasury Management Strategy, which has been approved by TfL's Finance and Policy Committee, the TfL will not trade with an institution with a credit rating of less than A-.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2015 the fair value of the collateral held amounted to £275.0m (2014 £830.0). As no lenders have defaulted, TfL has not exercised its right to sell or re-pledge the collateral.

The centrally managed cash reserves at 31 March 2015 totalled £4,551.6m (2014 £4,618.5m). TfL's operational cash reserves at 31 March 2015 were £2,172.7m (2014 £2,588.2m).

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2015			
UK Debt Management Office	1,303.5	AAA/Aa1/AA+	66
Government guaranteed supranationals	375.4	Minimum AA+/Aa1/AA+	191
Other Government Agencies	1,332.6	Minimum A+/Aa3/AA-	137
Money Market Funds	374.3	AAA/Aaa/AAA	1
UK Banks	610.6	Minimum BBB/A2/A	50
Corporates	485.4	Minimum A/A2/A	81
Non-UK Sovereign Funds	69.8	Minimum AA+/Aaa/AA+	122
Total	4,551.6		92

At 31 March 2014

UK Debt Management Office	1,042.9	AAA/Aa1/AA+	92
Government guaranteed supranationals	573.5	AAA/Aaa/AAA	269
Other Government Agencies	1,364.2	AA- to AAA	158
Money Market Funds	448.0	AAA	1
UK Banks	1,154.5	Minimum A-	49
Non-UK Sovereign Funds	35.4	AAA/Aaa/AAA	550
Total	4,618.5		117

30. Funding and financial risk management (continued)

(iii) Derivative financial instruments

Counterparty Limits are established and monitored in accordance with TfL's policy relating to the use of Derivative Instruments. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place which limit the exposure with each bank to a threshold, which if breached, allows TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under Section 160 of the GLA Act, as disclosed in note 28, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2015, the fair value of the Corporation's financial guarantees has been assessed as £nil (2014 £nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from Commercial Banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

The contractual maturities of the Group and Company's financial liabilities are listed later in this note.

30. Funding and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and certain foreign currency derivative instruments are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 *Financial Instruments: Recognition and measurement* ('IAS 39'), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2015 and 2014, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

Foreign exchange risk

During 2014/15 TfL held certain short term investments denominated in Euros and USD. These were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2015 the Group held foreign exchange contracts to hedge €791.5m future Euro receipts in relation to its Euro investments (2014 €nil). An unrealised exchange loss of £19.7 million was recognised on retranslation of these Euro investment balances as at 31 March 2015. This loss was offset by an unrealised fair value gain of £21.3 million on the related forward foreign exchange contracts. These derivative instruments mature in the period to 31 July 2015. It had no outstanding USD derivatives (2014 \$nil). The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates

For 2014/15, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. As at 31 March 2015, the Group held a forward foreign exchange contract to hedge planned future Euro payments totalling €4.4m related to the purchase of tram rolling stock. At 31 March 2015 this contract had a fair value of £nil. It matures on 2 July 2015 and it is anticipated that the purchases of tram rolling stock will take place over the period to 28 June 2016.

30. Funding and financial risk management (continued)

The total amount of unrealised gains in respect of hedged forward foreign exchange contracts that were recognised in other comprehensive income and accumulated in the cash flow hedging reserve in the year in respect of the anticipated future transactions above was £nil (2014 unrealised losses of £0.3m). All hedging relationships have been assessed as 100 per cent effective.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Investment Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Sensitivity analysis on foreign exchange risk

As at 31 March 2015 the Group holds forward foreign exchange contracts to sell Euros with a combined net nominal value of £591.0m. At 31 March 2014 it held forward foreign exchange contracts to buy Euros with a combined nominal value of £7.0m. These derivatives are designated as cash flow hedges.

At 31 March, the fair value of foreign currency derivatives was an asset of £21.3m (2014 a liability of £0.3m). A 10 per cent increase/(decrease) in GBP against the Euro would increase/(decrease) the fair value of these derivative instruments by £51.8m/(£63.3m), (2014 (decrease)/increase by (£0.6m)/£0.8m).

The Group has no other material exposure to foreign exchange rate movements.

Interest rate risk

As at 31 March 2015, 99.6 per cent (2014 98.0 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 0.4 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowing TfL employs a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in transport infrastructure in the Business Plan. As at 31 March 2015, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a notional value of £830.9m (2014 18 interest rate swaps at a total notional value of £832.0m). The net fair value of these contracts at 31 March 2015 was a liability of £101.3m (2014 £67.5m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

The maturity of the forward fixing contracts is disclosed later in this note.

The Group is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

Sensitivity analysis on interest rate risk

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 2015, the Group holds interest rate derivative contracts with a combined notional value of £830.9m (2014 £832.0m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £46.7m/(£48.6m) (2014 £47.4m/(£51.6m)).

Inflation risk

The Group has a number of exposures to inflation including staff pay awards and fares revenue. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. At present, the risk is partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's derivatives have the following maturities:

	2015 Average exchange rate	2015 Fair value £m	2015 Notional amount £m	2014 Average exchange rate	2014 Fair value £m	2014 Notional amount £m
Foreign currency forward contracts						
Buy euro						
3 to 6 months	0.729	-	3.2	-	-	-
6 to 12 months	-	-	-	0.869	(0.3)	7.0
Sell euro						
Less than 3 months	0.751	20.0	556.7	-	-	-
3 to 6 months	0.751	1.3	37.5	-	-	-
Total	0.751	21.3	597.4	0.869	(0.3)	7.0

	2015 Average contracted fixed interest rate (%)	2015 Fair value £m	2015 Notional amount £m	2014 Average contracted fixed interest rate (%)	2014 Fair value £m	2014 Notional amount £m
Interest rate hedges						
Between two and five years	3.504	(39.4)	500.0	3.357	(22.3)	350.0
After five years	3.810	(61.9)	330.9	3.821	(45.2)	482.0
Total	3.626	(101.3)	830.9	3.626	(67.5)	832.0

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2015					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	597.4	-	-	-	597.4
Amounts payable	(576.1)	-	-	-	(576.1)
Derivatives settled net					
Interest rate swaps	(25.0)	(19.6)	(22.5)	(4.2)	(71.3)
	(3.7)	(19.6)	(22.5)	(4.2)	(50.0)
Group – 2014					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	6.7	-	-	-	6.7
Amounts payable	(7.0)	-	-	-	(7.0)
Derivatives settled net					
Interest rate swaps	(22.6)	(20.4)	(26.4)	(3.0)	(72.4)
	(22.9)	(20.4)	(26.4)	(3.0)	(72.7)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2015, the fair value of the interest rate derivatives was a net liability of £101.3m (2014 £67.5m). The fair value of forward foreign exchange derivatives was a net asset of £21.3m (2014 a liability of £0.3m).

30. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - 2015					
Trade and other creditors	1,622.4	81.2	-	-	1,703.6
Borrowings - principal	785.1	53.0	511.2	7,198.4	8,547.7
Borrowings - interest	321.9	320.7	937.2	5,840.1	7,419.9
Finance lease liabilities	133.5	135.7	309.4	467.3	1,045.9
	2,862.9	590.6	1,757.8	13,505.8	18,717.1
Group - 2014					
Trade and other creditors	1,565.3	46.4	-	-	1,611.7
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	127.5	133.5	348.6	563.9	1,173.5
	2,700.8	502.2	1,606.6	12,451.3	17,260.9
Corporation - 2015					
Trade and other payables	561.5	-	-	-	561.5
Borrowings - principal	785.1	53.0	511.2	7,198.4	8,547.7
Borrowings - interest	321.9	320.7	937.2	5,840.1	7,419.9
Finance lease liabilities	18.7	18.4	52.0	148.6	237.7
	1,687.2	392.1	1,500.4	13,187.1	16,766.8
Corporation - 2014					
Trade and other payables	585.7	0.9	-	-	586.6
Borrowings - principal	709.8	25.3	467.3	6,695.3	7,897.7
Borrowings - interest	298.2	297.0	790.7	5,192.1	6,578.0
Finance lease liabilities	16.0	18.7	53.6	165.3	253.6
	1,609.7	341.9	1,311.6	12,052.7	15,315.9

Notes to the Financial Statements (continued)

30. Funding and financial risk management (continued)

Fair values

In accordance with IAS 39, the fair values of the financial assets and liabilities are calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.
 - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
 - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount.

30. Funding and financial risk management (continued)

Fair values (continued)

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	119.4	119.4	136.3	136.3
Long-term investments	10.1	10.1	203.4	203.4
Short-term investments	4,548.4	4,548.4	4,432.8	4,432.8
Trade and other debtors	1,263.8	1,263.8	831.9	831.9
Derivative financial instruments	22.6	22.6	-	-
Total financial assets	5,964.3	5,964.3	5,604.4	5,604.4
Trade and other creditors	1,703.6	1,703.6	1,611.6	1,611.6
Borrowings	8,514.3	9,942.4	7,867.3	9,183.6
Finance lease liabilities	746.0	746.0	821.8	821.8
Derivative financial instruments	102.6	102.6	67.8	67.8
Total financial liabilities	11,066.5	12,494.6	10,368.5	11,684.8
Net financial liabilities	(5,102.2)	(6,530.3)	(4,764.1)	(6,080.4)

30. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IAS 39, together with the carrying amounts recorded in the balance sheet are:

	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Cash and cash equivalents	53.7	53.7	9.3	9.3
Long-term investments	10.1	10.1	203.4	203.4
Short-term investments	4,521.9	4,521.9	4,415.1	4,415.1
Trade and other debtors	8,338.5	8,338.5	7,667.4	7,667.4
Total financial assets	12,924.2	12,924.2	12,295.2	12,295.2
Trade and other creditors	561.5	561.5	586.6	586.6
Borrowings	8,522.7	9,942.4	7,876.3	9,183.6
Finance lease liabilities	175.5	175.5	183.4	183.4
Total financial liabilities	9,259.7	10,679.4	8,646.3	9,953.6
Net financial assets	3,664.5	2,244.8	3,648.9	2,341.6

Notes to the Financial Statements (continued)

31. Pensions

The majority of the Group's staff are members of either the Public Sector Section or the Tube Lines Section of the TfL Pension Fund. The majority of the Group's remaining staff belong to the Local Government Pension Scheme, the Principal Civil Service Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

		Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
	Note				
TfL Pension Fund		314.6	295.9	85.2	76.1
Local Government Pension Scheme		1.3	(0.2)	1.3	(0.2)
Unfunded schemes provision		4.5	2.0	4.5	2.0
Total for schemes accounted for as defined benefit		320.4	297.7	91.0	77.9
Principal Civil Service Pension Scheme		0.6	0.7	0.6	0.7
Other schemes		19.7	20.5	1.3	2.5
Amounts included in net cost of services		340.7	318.9	92.9	81.1
Less: scheme expenses		(10.3)	(9.6)	(9.7)	(9.1)
Amount included in staff costs	3	330.4	309.3	83.2	72.0

The service cost for the Corporation for the TfL Pension Fund represents the employer's contributions payable.

Notes to the Financial Statements (continued)

31. Pensions (continued)

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

TfL Pension Fund

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2012 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2013 until 31 March 2020 will continue to be 31.0 per cent, with an additional lump sum payment due by March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2020.

For the Tube Lines Section, employers' contributions from 1 April 2013 increased from 20.95 per cent to 23.15 per cent, with additional lump sum contributions of £1.02m per month from 1 April 2012 until 31 October 2015 (adjusted annually for inflation each 1 April). The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 October 2015.

A full actuarial valuation of the Public Sector and Tube Lines Sections of the TfL Pension Fund as at 31 March 2015 is currently underway, and the results will be available later in 2015. Contributions payable from 1 April 2016 may differ from those set out above, dependent on the outcome of the valuation.

The underlying assets and defined benefit obligation of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the Public Sector and Tube Lines sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2015. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2012. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2011 projections with a long term improvement rate of 1.0 per cent per annum.

The discounted scheme liabilities have an average duration of 18.5 years for the Public Sector Section and 22 years for the Tube Lines Section.

31. Pensions (continued)

b) Defined benefit schemes (continued)

Local Government Pension Scheme

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 16.5 per cent (2013/14 16.5 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £47.7m (2013/14 £35.2m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation was carried out at 31 March 2013. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

Unfunded pension costs

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

In addition, the Corporation also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees;
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions;
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund.

Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2015 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2015 was £77.5m (2014 £71.1m), and is fully provided for in these financial statements.

31. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2015 %	IAS 19 valuation at 31 March 2014 %
RPI Inflation	2.75-3.30	3.20-3.70
CPI Inflation	2.50	2.90
Rate of increase in salaries	2.75-4.30	3.70-4.70
Rate of increase in pensions in payment and deferred pensions	2.50-3.00	2.90-3.30
Discount rate	2.95-3.40	4.05-4.5

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £207.4m/(increase by £212.6m).
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £60.8m/(decrease by £60.8m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £388.5m/(decrease by £389.5m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £194.2m/(decrease by £188.3m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Financial Statements (continued)

31. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the Schemes were:

	2015 Value at 31 March £m	2014 Value at 31 March £m
Equities and alternatives	6,208.9	5,280.2
Bonds	2,002.4	1,984.8
Cash and other	34.9	24.8
Total fair value of assets	8,246.2	7,289.8

The TfL Pension Fund's and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2015 %	31 March 2014 %
Equities	75	73
Bonds	25	27
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

Notes to the Financial Statements (continued)

31. Pensions (continued)

Total pension deficit at the end of the year

Group	2015 £m	2014 £m
Fair value of scheme assets	8,246.2	7,289.8
Actuarial valuation of defined benefit obligation	(11,140.9)	(9,772.0)
Deficit recognised as a liability in the balance sheet	(2,894.7)	(2,482.2)

Group	2015 £m	2014 £m
TfL Pension Fund – Public Sector section	(2,737.5)	(2,328.1)
TfL Pension Fund – Tube Lines section	(32.0)	(47.8)
Local Government Pension Scheme	(47.7)	(35.2)
Unfunded schemes provision	(77.5)	(71.1)
Deficit recognised as a liability in the balance sheet	(2,894.7)	(2,482.2)

Corporation	2015 £m	Restated 2014 £m
Fair value of scheme assets	7,969.9	7,050.3
Actuarial valuation of defined benefit obligation	(10,832.6)	(9,484.7)
Deficit recognised as a liability in the balance sheet	(2,862.7)	(2,434.4)

Corporation	2015 £m	Restated 2014 £m
TfL Pension Fund - Public Sector section	(2,737.5)	(2,328.1)
Local Government Pension Scheme	(47.7)	(35.2)
Unfunded schemes provision	(77.5)	(71.1)
Deficit recognised as a liability in the balance sheet	(2,862.7)	(2,434.4)

Notes to the Financial Statements (continued)

31. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Current service cost	305.8	284.7	293.5	272.4
Less contributions paid by subsidiaries	-	-	(216.5)	(207.0)
Past service cost	4.3	1.9	4.3	1.9
Curtailment and settlements	-	1.5	-	1.5
Total included in staff costs	310.1	288.1	81.3	68.8
Scheme expenses	10.3	9.6	9.7	9.1
Total amount charged to net cost of services	320.4	297.7	91.0	77.9

Amounts charged to financing and investment expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Net interest expense on scheme defined benefit obligation	102.4	121.8	101.0	119.0

Amount recognised in other comprehensive income and expenditure

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Net remeasurement losses/(gains) recognised in the year	293.7	(460.2)	300.9	(434.9)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Wholly unfunded schemes	77.5	71.1	77.5	71.1
Wholly or partly funded schemes	11,063.4	9,700.9	10,755.1	9,413.6
Total scheme defined benefit obligation	11,140.9	9,772.0	10,832.6	9,484.7

Notes to the Financial Statements (continued)

31. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Actuarial value of defined benefit obligation at start of year	9,772.0	9,598.4	9,484.7	9,304.4
Current service cost	305.8	284.7	293.5	272.4
Interest cost	423.9	416.5	412.5	405.4
Employee contributions	47.0	44.7	44.8	42.5
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	1,059.3	(101.2)	1,036.3	(76.1)
Net remeasurement - experience	(162.3)	(216.6)	(154.8)	(216.5)
Net remeasurement - demographic	-	(27.3)	-	(32.2)
Actual benefit payments	(309.1)	(279.0)	(288.7)	(267.0)
Past service cost	4.3	1.9	4.3	1.9
Settlements and curtailments	-	49.9	-	49.9
Actuarial value of defined benefit obligation at end of year	11,140.9	9,772.0	10,832.6	9,484.7

Reconciliation of fair value of the scheme assets

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Fair value of assets at start of year	7,289.8	6,785.2	7,050.3	6,571.4
Expected return on assets net of expenses	321.5	294.7	311.5	286.4
Scheme expenses	(10.3)	(9.6)	(9.7)	(9.1)
Return on assets excluding interest income and other net gains on assets	603.3	115.1	580.6	110.1
Actual employer contributions	299.6	286.1	60.2	56.4
Contributions paid by subsidiaries	-	-	216.5	207.0
Employee contributions	47.0	44.7	44.8	42.5
Actual benefits paid	(304.7)	(274.8)	(284.3)	(262.8)
Settlements and curtailments	-	48.4	-	48.4
Fair value of assets at end of year	8,246.2	7,289.8	7,969.9	7,050.3

Notes to the Financial Statements (continued)

31. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was £924.8m (2013/14 £409.8m).

Total contributions of £308.0m are expected to be made to the schemes in the year ending 31 March 2016.

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2007. Details can be found in the Civil Service Superannuation Resource Accounts (<http://www.civilservice.gov.uk/pensions>).

From 1 April 2014 employers' contributions are payable to the PCSPS at one of four rates in the range 16.7 per cent to 25.8 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 37 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2013. The actuarial report showed that there was a deficit of £5.4m for the total Omnibus Section.

The findings of the 2013 valuation report were translated into the current contribution level of 31 per cent up to 30 June 2015, and 26.9 per cent effective from 1 July 2015. The pension charge for the year was £6.2 million (2013/14 £6.0 million).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCPS and RPS scheme as outlined in the paragraphs above, amounting to £20.3m (2013/14 £21.2m).

Notes to the Financial Statements (continued)

32. Cash flow notes

a. Adjustments to net surplus for non-cash movements

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Depreciation of property, plant and equipment and amortisation of intangibles	1,039.9	1,022.1	188.9	179.4
Loss on disposal of property, plant and equipment	19.5	121.9	2.1	2.7
Net gain on sale of investment properties	(0.8)	(15.2)	(0.9)	(1.9)
Movements in the value of investment properties	(200.2)	(177.6)	(2.1)	(3.5)
Reversal of unrealised losses on retranslation of foreign currency investments	19.7	-	19.7	-
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	(21.3)	-	-	-
Financing income	(28.3)	(21.7)	(301.4)	(267.7)
Financing expense	450.7	484.1	439.8	452.4
Capital grants received	(3,489.2)	(3,827.5)	(3,441.5)	(3,757.0)
Capital grants paid to subsidiaries	-	-	1,356.9	1,395.1
Reversal of defined benefit pension service costs	320.4	297.7	91.0	77.9
Reversal of taxation credit	-	0.1	-	-
Adjustments to net surplus for non-cash movements before movements in working capital	(1,889.6)	(2,116.1)	(1,647.5)	(1,922.6)
(Decrease)/increase in creditors	(17.8)	54.4	(74.9)	18.4
Decrease/(increase) in debtors	3.5	(78.6)	27.7	135.2
(Increase)/decrease in inventories	(6.2)	(5.7)	3.5	(1.3)
(Decrease)/increase in provisions	(2.9)	90.8	(2.3)	2.7
Adjustments to net surplus for non-cash movements after movements in working capital	(1,913.0)	(2,055.2)	(1,693.5)	(1,767.6)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	(304.0)	(290.3)	(64.6)	(60.6)
Taxation paid	(0.1)	(0.1)	-	-
Total adjustments to net surplus for non-cash movements	(2,217.1)	(2,345.6)	(1,758.1)	(1,828.2)

32. Cash flow notes (continued)

b. Investing activities

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Interest and other investment income received	24.5	24.2	297.6	270.2
Capital grants received	3,460.8	3,782.9	3,410.8	3,708.3
Capital grants paid to subsidiaries	-	-	(1,356.9)	(1,395.1)
Purchase of property, plant and equipment and investment property	(3,507.0)	(3,154.7)	(311.2)	(190.3)
Purchase of intangible assets	(34.9)	(56.6)	(20.8)	(25.8)
Proceeds from the sale of property, plant and equipment and intangible assets	6.2	2.5	-	0.4
Net sales/(purchases) of other investments	58.1	(843.5)	66.9	(825.8)
Interim financing advanced to third parties for the Crossrail project	(381.9)	(199.9)	-	-
Issue of loans to subsidiaries (net of repayments)	-	-	(649.2)	(307.6)
Issue of loans to associated undertakings	-	-	-	-
Proceeds from sale of investment property	21.1	43.3	2.9	18.2
Investment in share capital of subsidiaries	-	-	(1,500.0)	(1,600.0)
Net cash flows from investing activities	(353.1)	(401.8)	(59.9)	(347.5)

c. Financing activities

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	(75.8)	(68.9)	(7.9)	(8.5)
Net proceeds from new borrowing	668.1	435.1	668.1	435.1
Repayments of borrowings	(22.1)	(107.1)	(22.1)	(107.1)
Premiums paid on early repayment of borrowings and finance lease liabilities	-	(23.2)	-	(23.2)
Cash paid on settlement of derivatives	-	(0.5)	-	-
Interest paid	(320.4)	(388.6)	(319.5)	(372.5)
Net cash flows from financing activities	249.8	(153.2)	318.6	(76.2)

Notes to the Financial Statements (continued)

33. Unusable reserves

	2015 £m	2014 £m
Group		
Capital adjustment account	21,122.1	18,669.3
Pension reserve	(2,862.7)	(2,434.4)
Accumulated absences reserve	(6.5)	(6.0)
Retained earnings reserve in subsidiaries	1,071.9	1,079.3
Revaluation reserve	212.9	117.1
Hedging reserve	(200.9)	(174.7)
Available for sale reserve	0.1	-
Financial instruments adjustment account	(206.3)	(218.1)
Merger reserve	466.1	466.1
At 31 March	19,596.7	17,498.6

	2015 £m	Restated 2014 £m
Corporation		
Capital adjustment account	8,109.6	6,434.5
Pension reserve	(2,862.7)	(2,434.4)
Accumulated absences reserve	(6.5)	(6.0)
Available for sale reserve	0.1	-
Financial instruments adjustment account	(206.3)	(218.1)
At 31 March	5,034.2	3,776.0

Notes to the Financial Statements (continued)

33. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April		18,669.3	16,254.2	6,434.5	4,814.7
Charges for depreciation and impairment of non current assets		(188.9)	(179.4)	(188.9)	(179.4)
Gain on disposal of investment properties		0.9	1.9	0.9	1.9
Movements in the market value of investment properties		2.1	3.5	2.1	3.5
Capital grants and contributions	9	3,267.3	3,262.1	1,862.7	1,796.5
Transfer from street works reserve	1	0.4	-	0.4	-
Loss on disposal of non current assets		(2.1)	(2.7)	(2.1)	(2.7)
Adjustments between Group and Corporation financial statements	*	(626.9)	(670.3)	-	-
Balance at 31 March		21,122.1	18,669.3	8,109.6	6,434.5

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Income and Expenditure statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

33. Unusable reserves (continued)

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Restated Corporation 2014 £m
Balance at 1 April	(2,434.4)	(2,733.0)	(2,434.4)	(2,733.0)
Remeasurement (losses)/gains on pension assets and defined benefit obligations	(300.9)	434.9	(300.9)	434.9
Reversal of charges relating to retirement benefits	(408.5)	(403.9)	(192.0)	(196.9)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	281.1	267.6	64.6	60.6
Balance at 31 March	(2,862.7)	(2,434.4)	(2,862.7)	(2,434.4)

Notes to the Financial Statements (continued)

33. Unusable reserves (continued)

Accumulated absences reserve

The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April	(6.0)	(5.8)	(6.0)	(5.8)
Settlement or cancellation of accrual made at the end of the preceding year	6.0	5.8	6.0	5.8
Amounts accrued at the end of the current year	(6.5)	(6.0)	(6.5)	(6.0)
Balance at 31 March	(6.5)	(6.0)	(6.5)	(6.0)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2015 £m	Group 2014 £m
Balance at 1 April	1,079.3	1,165.3
Loss for the year	(18.0)	(113.5)
Remeasurement gains on defined benefit pension plan assets and liabilities	7.2	25.3
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	3.4	2.2
Balance at 31 March	1,071.9	1,079.3

Notes to the Financial Statements (continued)

33. Unusable reserves (continued)

Revaluation reserve

The revaluation reserve contains the gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are transferred to retained earnings.

	Note	Group 2015 £m	Group 2014 £m
Balance at 1 April		117.1	70.7
Revaluation of assets	12	99.2	48.6
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		(3.4)	(2.2)
Balance at 31 March		212.9	117.1

The Corporation does not have a revaluation reserve as it does not hold any property, plant or equipment at a revalued amount (2014 none).

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2015 £m	Group 2014 £m
Balance at 1 April	(174.7)	(229.3)
Net change in fair value of cash flow interest rate hedges	(33.4)	48.4
Net change in fair value of cash flow foreign exchange hedges	-	(0.3)
Recycling of interest rate fair value losses to profit and loss	7.2	6.5
Balance at 31 March	(200.9)	(174.7)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers so to do.

Notes to the Financial Statements (continued)

33. Unusable reserves (continued)

Available for sale reserve

The available-for-sale reserve holds the unrealised gain or loss arising from a change in the fair value of available for sale long term investments. When an available for sale financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the available for sale reserve and recognised in the Surplus or Deficit on the Provision of Services.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April	-	0.3	-	0.3
Movement in the fair value of available for sale financial investments	0.1	(0.3)	0.1	(0.3)
Balance at 31 March	0.1	-	0.1	-

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April	(218.1)	(205.7)	(218.1)	(205.7)
Transfers arising from debt restructuring during the year	-	(23.2)	-	(23.2)
Release of premium	11.8	10.8	11.8	10.8
Balance at 31 March	(206.3)	(218.1)	(206.3)	(218.1)

Notes to the Financial Statements (continued)

33. Unusable reserves (continued)

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2015 £m	Group 2014 £m	Corporation 2015 £m	Corporation 2014 £m
Balance at 1 April and 31 March	466.1	466.1	-	-

34. Business rate supplement

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities “to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development”. In London, the only local authority empowered to levy a BRS is the Greater London Authority (GLA).

On 1 April 2010, the GLA introduced a BRS to finance £4.1 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 2015, TfL recognised £30.0m (2013/14 £75.0m) of BRS income in its Income and Expenditure Statement (see note 9). Receipts in the year totalled £30.0m (2013/14 £75.0m), and £nil (2014 £nil) was held as a debtor on the Corporation and Group’s balance sheets.

	Corporation 2015 £m	Corporation 2014 £m
Opening Balance on BRS Account	-	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	(30.0)	(75.0)
Transfer from General Fund to clear BRS account deficit	30.0	75.0
Closing Balance on BRS Account	-	-

35. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Notes to the Financial Statements (continued)

35. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2015

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non current assets	3	188.9	(188.9)	-	-	-	-
Net gain on disposal of investment properties	7	(0.9)	0.9	-	-	-	-
Movements in the market value of investment properties	7	(2.1)	2.1	-	-	-	-
Capital grants and contributions	9	(1,862.7)	1,862.7	-	-	-	-
Unapplied capital grants	9	(221.9)	-	-	-	-	-
Loss on disposal of non current assets	6	2.1	(2.1)	-	-	-	-
Transfers to/from street works reserve		(4.7)	0.4	-	4.3	-	-
Reversal of items relating to retirement benefits		192.0	-	(192.0)	-	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.5	-	-	-	-	(0.5)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(64.6)	-	64.6	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(1,785.2)	1,675.1	(127.4)	4.3	11.8	(0.5)

Notes to the Financial Statements (continued)

35. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2014 (restated)

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non current assets	3	179.4	(179.4)	-	-	-	-
Movements in the market value of investment properties	7	(3.5)	3.5	-	-	-	-
Gain on disposal of investment properties	7	(1.9)	1.9	-	-	-	-
Capital grants and contributions	9	(1,796.5)	1,796.5	-	-	-	-
Unapplied capital grants	9	(565.4)	-	-	-	-	-
Loss on disposal of non current assets	6	2.7	(2.7)	-	-	-	-
Transfers to/from street works reserve		(2.2)	-	-	2.2	-	-
Reversal of items relating to retirement benefits		196.9	-	(196.9)	-	-	-
Transfer of premium on refinancing	8	23.2	-	-	-	(23.2)	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(60.6)	-	60.6	-	-	-
Amortisation of premium on financing		(10.8)	-	-	-	10.8	-
		(2,038.5)	1,619.8	(136.3)	2.2	(12.4)	(0.2)

36. Sources of finance

Capital expenditure analysed by source of finance:

	Note	Corporation 2015 £m	Corporation 2014 £m
Capital expenditure			
Intangible asset additions	11	20.8	25.9
Property, plant and equipment additions	12	299.5	239.8
Investments in year	14	1,500.0	1,600.0
Loans made to subsidiaries in year for capital purposes		650.0	333.6
Capital grants allocated to subsidiaries in year	9	1,356.9	1,395.1
Total capital expenditure		3,827.2	3,594.4
Sources of finance			
Transport grants used to fund capital	9	1,728.2	1,578.4
Business rates supplement	9	30.0	75.0
Crossrail specific grant	9	1,582.2	2,022.8
Less amounts transferred to Capital Grants Unapplied Account	9	(221.9)	(565.4)
Prudential borrowing		650.0	333.6
Third party contributions	9	101.1	80.8
Capital receipts		3.1	4.5
Net repayment of finance leases		(7.9)	(8.5)
Working capital		(37.6)	73.2
Total sources of finance		3,827.2	3,594.4

37. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New MRP regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Department for Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that “approaches differing from those exemplified should not be ruled out... the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.”

While the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL’s circumstances. TfL’s policy on MRP is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced Budget (and this approach had been extended to the full Business Plan), the cost of debt service is taken into account in determining whether annual Budgets and Business Plans are in balance.

TfL has therefore adopted the following policy:

No provision is made for debt repayment in advance of years where any such repayment is due;

Debt service, including principal repayment, is treated as an in-year operating cost and is funded from income in the year the debt service is required;

38. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to the London Transport Museum Limited.

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

	Corporation 2015 £m	Corporation 2014 £m
Financial assistance to subsidiaries		
Transport Trading Limited	76.6	95.7
London Underground Limited	1,189.3	1,324.6
London Bus Services Limited	657.2	555.2
Docklands Light Railway Limited	43.2	53.5
Rail for London Limited	225.5	107.9
London River Services Limited	11.9	3.4
Tramtrack Croydon Limited	32.2	19.0
London Transport Museum Limited	5.5	5.4
Crossrail Limited	351.5	207.5
Transport for London Finance Limited	200.0	300.0
	2,792.9	2,672.2
	Corporation 2015 £m	Corporation 2014 £m
	Note	
Financial assistance to London Boroughs and other third parties		
Local Implementation Plan	131.6	141.1
Severe winter payments scheme	12.1	-
Taxicard	9.8	10.1
Safety schemes	0.5	0.8
Cycling	7.5	6.3
Other	11.6	10.8
	173.1	169.1
	3	

39. 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 34. In addition, the GLA made grants to TfL in respect of the Crossrail project amounting to £500m. This amount is included in note 9 as part of “Ring-fenced grant to fund capital expenditure relating to Crossrail”. The Council Tax precept paid to TfL by the GLA is also shown in note 9.

During 2014/15 TfL had the following other transactions with the GLA and functional bodies.

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2015 £m
Greater London Authority (GLA)	8.2	(1.6)	2.5
Mayor’s Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	0.2	(0.3)	0.1
London Fire and Emergency Planning Authority (LFEPa)	0.3	-	-

Notes to the Financial Statements (continued)

39. Related parties (continued)

Board Members and Officers

Board Members, the Mayor of London, and key management (comprising the Commissioner and the Chief Officers), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2013/14 none). Details of the remuneration of the Commissioner and his Chief Officers are disclosed in note 5.

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 31.

Central Government

Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2013, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2016.

Other public bodies

TfL provides financial assistance to London Boroughs to support borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 38.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board ("PWLB"), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Notes to the Financial Statements (continued)

40. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2015				
TfL Healthcare Trust	3.9	(4.1)	0.7	-
At 31 March 2014				
TfL Healthcare Trust	3.9	(3.5)	0.9	-

41. Events after the balance sheet date

As described in note 18, on 10 February 2015, the Group entered into an Escrow Arrangement with members of the Capital & Counties Properties PLC (Capco) group with a view to granting a 999 year lease over land at Earl's Court into a joint venture company, Earls Court Partnership Limited (ECP). ECP is a limited company, registered in England, that is owned 37 per cent by a subsidiary of the TfL Group and 67 per cent by a subsidiary of the Capco group. It is equity accounted for as an investment in an associate by the Group.

Subsequent to the year end, on 2 April 2015, a lease agreement was signed and the property was transferred for consideration of £375.7m, in the form of loan notes from, and equity in, ECP. The Group's percentage holding in ECP however remains unchanged at 37 per cent.

The sale of the property constitutes a non-adjusting post balance sheet event, and, as such, has not been reflected in these accounts. As at 31 March 2015 the Group's investment in the Earl's Court land has been shown in assets held for sale and is held at its sale valuation.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

42. Corporation pension accounting policy

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

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

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

The following tables illustrate the quantitative effects of the changes on the Corporation Comprehensive Income and Expenditure Statement for 2013/14 and the Balance Sheets as at 1 April 2013 and 31 March 2014.

Notes to the Financial Statements (continued)

42. Corporation pension accounting policy (continued)

Reconciliation of the Corporation Comprehensive Income and Expenditure Statement

	As previously reported £m	Recognition of defined benefit pension obligations of Group schemes	Restated £m
Year ended 31 March 2014			
Highways and Transport Services			
Gross income	359.8	-	359.8
Gross expenditure	(970.7)	(21.9)	(992.6)
Net cost of services	(610.9)	(21.9)	(632.8)
Other operating expenditure	(2.7)	-	(2.7)
Financing and investment income	273.1	-	273.1
Financing and investment expenditure	(337.7)	(114.7)	(452.4)
Grant income	5,241.7	-	5,241.7
Grant funding of subsidiaries	(2,172.2)	-	(2,172.2)
Surplus on the provision of services	2,391.3	(136.6)	2,254.7
Other comprehensive income and expenditure	(3.5)	438.1	434.6
Total comprehensive income and expenditure	2,387.8	301.5	2,689.3

Notes to the Financial Statements (continued)

42. Corporation pension accounting policy (continued)

Reconciliation of Corporation equity as at 31 March 2014

	As previously reported £m	Recognition of pension obligation of Group schemes £m	Restated £m
As at 31 March 2014			
Long-term assets			
Intangible assets	35.7	-	35.7
Property, plant and equipment	3,485.2	-	3,485.2
Investment property	16.4	-	16.4
Investment in subsidiaries	3,932.5	-	3,932.5
Long-term investments	203.4	-	203.4
Long-term debtors	7,451.5	-	7,451.5
	15,124.7	-	15,124.7
Current assets			
Inventories	5.1	-	5.1
Short-term debtors	266.5	-	266.5
Short-term investments	4,415.1	-	4,415.1
Cash and cash equivalents	9.3	-	9.3
	4,696.0	-	4,696.0
Current liabilities			
Short-term creditors	(614.1)	-	(614.1)
Short-term borrowings and overdrafts	(709.2)	-	(709.2)
Short-term finance lease liabilities	(7.9)	-	(7.9)
Short-term provisions	(120.0)	-	(120.0)
	(1,451.2)	-	(1,451.2)
Long-term liabilities			
Long-term creditors	(14.0)	-	(14.0)
Long-term borrowings	(7,167.1)	-	(7,167.1)
Long-term finance lease liabilities	(175.5)	-	(175.5)
Long-term provisions	(126.7)	-	(126.7)
Retirement benefit obligation	(106.3)	(2,328.1)	(2,434.4)
	(7,589.6)	(2,328.1)	(9,917.7)
Net assets	10,779.9	(2,328.1)	8,451.8
Reserves			
Usable reserves	4,675.8	-	4,675.8
Unusable reserves	6,104.1	(2,328.1)	3,776.0
Total reserves	10,779.9	(2,328.1)	8,451.8

Notes to the Financial Statements (continued)

42. Corporation pension accounting policy (continued)

Reconciliation of Corporation equity as at 1 April 2013

	As previously reported £m	Recognition of pension obligations of Group schemes	Restated £m
As at 1 April 2013			
Long-term assets			
Intangible assets	28.4	-	28.4
Property, plant and equipment	3,410.7	-	3,410.7
Investment property	13.7	-	13.7
Investment in subsidiaries	2,332.5	-	2,332.5
Long-term investments	209.2	-	209.2
Long-term debtors	7,142.0	-	7,142.0
	13,136.5	-	13,136.5
Current assets			
Inventories	3.8	-	3.8
Short-term debtors	390.0	-	390.0
Short-term investments	3,583.8	-	3,583.8
Cash and cash equivalents	6.5	-	6.5
	3,984.1	-	3,984.1
Current liabilities			
Short-term creditors	(654.1)	-	(654.1)
Short-term borrowings and overdrafts	(1,138.4)	-	(1,138.4)
Short-term finance lease liabilities	(8.6)	-	(8.6)
Short-term provisions	(151.6)	-	(151.6)
	(1,952.7)	-	(1,952.7)
Long-term liabilities			
Long-term creditors	(10.2)	-	(10.2)
Long-term borrowings	(6,409.8)	-	(6,409.8)
Long-term finance lease liabilities	(183.3)	-	(183.3)
Long-term provisions	(69.1)	-	(69.1)
Retirement benefit obligation	(103.4)	(2,629.6)	(2,733.0)
	(6,775.8)	(2,629.6)	(9,405.4)
Net assets	8,392.1	(2,629.6)	5,762.5
Reserves			
Usable reserves	3,892.0	-	3,892.0
Unusable reserves	4,500.1	(2,629.6)	1,870.5
Total reserves	8,392.1	(2,629.6)	5,762.5