

>Notes to the accounts

I Segmental analysis

	Gross revenue 2008/09	Gross revenue 2007/08	Gross services expenditure 2008/09	Gross services expenditure 2007/08 restated	Net expenditure 2008/09	Net expenditure 2007/08 restated
	£m	£m	£m	£m	£m	£m
London Streets	398.8	418.7	(880.2)	(905.7)	(481.4)	(487.0)
Other	26.7	24.1	(267.8)	(71.4)	(241.1)	(47.3)
Corporation	425.5	442.8	(1,148.0)	(977.1)	(722.5)	(534.3)
Subsidiary operations						
Bus operations	1,101.8	1,079.8	(1,821.6)	(1,739.1)	(719.8)	(659.3)
London Underground	1,769.0	1,654.5	(2,357.1)	(2,136.2)	(588.1)	(481.7)
Docklands Light Railway	63.9	63.1	(85.7)	(73.5)	(21.8)	(10.4)
Rail for London	42.5	14.9	(135.2)	(59.4)	(92.7)	(44.5)
Tramtrack Croydon	13.2	-	(21.1)	-	(7.9)	-
Crossrail	0.1	-	(7.4)	(112.1)	(7.4)	(112.1)
Other	35.5	23.7	(114.7)	(132.5)	(79.1)	(108.8)
Group	3,451.5	3,278.8	(5,690.8)	(5,229.9)	(2,239.3)	(1,951.1)

Gross services expenditure includes depreciation net of amortisation of deferred capital grants, but excludes for the Corporation grant funding of subsidiaries. It also excludes exceptional items (see Note 6).

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

>Notes to the accounts (continued)

2 Revenue

a) Group revenue	2008/09	% of total	2007/08 restated	% of total
	£m		£m	
Fares	2,577.5	74.8	2,445.8	74.5
Revenue in respect of free travel for elderly and disabled people	227.2	6.6	211.5	6.5
Congestion Charging	325.7	9.4	328.2	10.0
Charges to London boroughs	13.3	0.4	12.7	0.4
Charges to transport operators	8.6	0.2	8.6	0.3
Bus enforcement	46.8	1.4	67.9	2.1
Commercial advertising receipts	82.7	2.4	72.9	2.2
Rents receivable	60.1	1.7	57.5	1.8
Taxi licensing	18.3	0.5	17.2	0.5
Museum income	4.3	0.1	2.8	0.1
Other	87.0	2.5	53.7	1.6
Total revenue	3,451.5	100.0	3,278.8	100.0

b) Congestion Charging	Group and Corporation 2008/09	Group and Corporation 2007/08
	£m	£m
Revenue	325.7	328.2
Direct expenditure: - Toll facilities and traffic management	(167.2)	(171.7)
	158.5	156.5
Other expenditure: - Financial assistance	(0.9)	(2.8)
- Administration, support services and depreciation	(9.1)	(16.7)
Net income on Congestion Charging	(148.5)	137.0

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

>Notes to the accounts (continued)

3 Expenditure (before exceptional items)

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Staff costs: - Wages and salaries		1,053.1	766.5	152.6	137.2
- Social security costs		88.0	64.6	13.3	12.2
- Pension costs	22a	167.6	174.4	36.5	34.4
		1,308.7	1,005.5	202.4	183.8
Operating leases and PFI charges		337.6	327.7	10.1	27.0
Financial assistance	4	190.3	197.4	190.3	197.4
Supplies and services		6,374.1	5,766.5	827.5	784.8
		8,210.7	7,297.1	1,230.3	1,193.0
Capital expenditure	11a, b	(2,800.2)	(2,165.0)	(202.9)	(175.9)
Expenditure charged to revenue		5,410.5	5,132.1	1,027.4	1,017.1

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
		Number	Number	Number	Number
Average number of employees:					
- Permanent employees (including those on fixed term contracts)		25,675	20,171	3,420	3,276
- Agency staff		3,004	1,463	713	739
Average number of employees		28,679	21,634	4,133	4,015

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
		£m	£m	£m	£m
The cost of services include the following amounts:					
- Auditors' remuneration for statutory audit services		1.7	1.0	0.6	0.4
- Auditors' remuneration for non-statutory audit services		0.3	0.1	0.1	0.1
- Auditors' remuneration for non-audit services		0.1	0.2	-	-
		2.1	1.3	0.7	0.5

>Notes to the accounts (continued)

3 Expenditure (before exceptional items) (continued)

Operating leases

The Group leases certain properties on short-term and long-term leases. The rents payable on these leases were £58.4m (2007/08 £46.4m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Total other operating lease rentals for the Group included in the income and expenditure account were £279.2m (2007/08 £281.3m). Payments under these lease agreements, which include the cost of routine maintenance and repairs, are charged to revenue over the period of the leases from the time the assets become operational.

4 Financial assistance

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

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

	Note	Corporation 2008/09 £m	Corporation 2007/08 £m
Financial assistance to subsidiaries			
Transport Trading Limited		125.4	129.3
London Underground Limited		1,546.7	2,951.4
London Bus Services Limited		762.2	692.2
London Buses Limited		1.4	0.1
Docklands Light Railway Limited		213.6	182.9
Rail for London Limited		459.0	192.2
Victoria Coach Station Limited		0.6	-
Tramtrack Croydon Limited		9.2	-
London Transport Museum Limited		6.4	-
Crossrail Limited		91.9	-
		3,216.4	4,148.1
Financial assistance to London boroughs and other third parties			
London Investment Programme		170.4	179.4
Taxicard		11.9	10.8
Three Mills Lock		1.2	2.8
Olympics Velopark		2.5	-
Silverlink		-	2.1
Others		4.3	2.3
	3	190.3	197.4

>Notes to the accounts (continued)

5 Employees' remuneration

The SORP requires the disclosure of remuneration for only the Corporation's employees whose total remuneration in the year was £50,000 or more, grouped in rising bands of £10,000. 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 Group's remuneration disclosure for 2007/08 has been restated due to the merger of Crossrail with the TfL Group.

The Group's remuneration disclosure for 2008/09 includes the employees of the former Metronet businesses for the first time. The remuneration for those employees whose employment transferred to the Nominee companies, and subsequently to London Underground, has been included for a full year, even though they were only employees of the Group from 27 May 2008, in order to facilitate comparison with future years. Those individuals who left the employment of the Metronet Infracos prior to 27 May 2008 are not included in the Group salary bandings.

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

£	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Number	Number	Number	Number
50,000-59,999	2,244	1,119	296	255
60,000-69,999	931	377	173	144
70,000-79,999	440	187	107	69
80,000-89,999	222	106	59	47
90,000-99,999	136	66	44	30
100,000-109,999	75	42	29	25
110,000-119,999	40	21	9	13
120,000-129,999	25	16	10	6
130,000-139,999	24	8	8	1
140,000-149,999	18	7	5	3
150,000-159,999	10	7	3	4
160,000-169,999	9	5	1	2
170,000-179,999	9	4	8	1
180,000-189,999	1	3	1	2
190,000-199,999	3	2	-	-
200,000-209,999	1	-	1	-
210,000-219,999	3	3	1	2
220,000-229,999	1	2	-	1
230,000-239,999	1	2	-	2
240,000-249,999	1	1	1	1
250,000-259,999	1	-	1	-
260,000-269,999	1	-	-	-
270,000-279,999	2	-	1	-
280,000-289,999	1	-	1	-
300,000-309,999	-	1	-	1

>Notes to the accounts (continued)

5 Employees' remuneration (continued)

£	Group 2008/09 Number	Group 2007/08 restated Number	Corporation 2008/09 Number	Corporation 2007/08 Number
350,000-359,999	1	-	1	-
390,000-399,999	1	-	-	-
410,000-419,999	1	-	1	-
430,000-439,999	-	1	-	1
440,000-449,999	-	1	-	-
460,000-469,999	-	1	-	-
470,000-479,999	1	-	1	-
490,000-499,999	-	1	-	-
540,000-549,999	-	1	-	1
570,000-579,999	1	-	-	-
Total	4,204	1,984	762	611

6 Exceptional items

Note	Group 2008/09 £m	Group 2007/08 £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Provision against the loan receivable from the Metronet Infracos following the exercise of the put option	-	1,748.8	-	-
Release from finance lease creditor	(1,705.5)	-	-	-
Write off of goodwill	30a 97.6	-	-	-
Provision against loan receivable from the Metronet Infracos	14 104.7	209.9	104.7	209.9
Total exceptional items included in expenditure	(1,503.2)	1,958.7	104.7	209.9

The PPP contracts with the Metronet Infracos included Put Option Agreements which enabled the lenders to the Metronet Finance Companies to receive repayment from London Underground of 95 per cent of the debt owing in certain defined circumstances. One of these was upon a period of PPP Administration exceeding six months.

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

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

>Notes to the accounts (continued)

6 Exceptional items (continued)

Following the exercise of the Put Options the amounts owed to the Metronet Finance Companies by the Metronet Infracos were assigned to London Underground. In the opinion of the Chief Finance Officer, no amounts will ultimately be recoverable by London Underground in relation to this debt and, accordingly, this receivable was fully provided against in the 2007/08 financial year as an exceptional item.

On 27 May 2008, the business, assets and certain liabilities of the Infracos in administration were acquired by the TfL Group for £50m (see note 30 Mergers and Acquisitions). This cash was applied by the Administrator in partial repayment of the loan advanced by TfL under the Loan Agreement, described below.

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

During the period 1 April 2008 to 27 May 2008, further amounts were advanced to the Administrator. On 27 May 2008, £50.0m of this loan was repaid by the Administrator from the proceeds of acquisition of the Metronet business. An additional provision has been made during the year of £104.7m and the outstanding balance under the Loan Agreement is fully provided against.

Up until 27 May 2008, London Underground had recognised a finance lease creditor on its balance sheet, representing fixed assets provided by the Metronet Infracos and not paid for at the relevant balance sheet date. This finance lease creditor was broadly equivalent to the external borrowings of the Metronet companies. Effective from that date, London Underground and the Nominee companies entered into a number of agreements to amend the service charges paid by London Underground to reflect the debt-free status of the Nominees. As a consequence, the finance lease creditor is no longer recognised on the balance sheet of the Group and has been released to the Income and Expenditure account. The release of the finance lease creditor offsets the provision against the loan receivable from the Metronet infracos, recognised in the previous year.

Goodwill of £97.6m arose on the acquisition of the Metronet business from the Infracos, representing the difference between the purchase consideration of £50m and the fair value of assets acquired (being net liabilities of £47.6m). The Group has impaired the Goodwill asset as it is unlikely that this amount is recoverable through the operations of the business.

>Notes to the accounts (continued)

7 Transport grant

Allocation of transport grant receivable:

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Grant from Department for Transport applied to fund revenue expenditure		1,231.4	2,220.2	1,231.4	2,220.2
Grant from Department for Transport for the exercise of Metronet's put option	6	-	1,700.0	-	1,700.0
		1,231.4	3,920.2	1,231.4	3,920.2
Grant from Department for Transport taken to deferred grants	20	1,802.1	462.2	331.2	201.5
Grant from Department for Transport used to fund capital expenditure in subsidiaries		-	-	1,470.9	260.7
Total transport grant receivable		3,033.5	4,382.4	3,033.5	4,382.4

8 Loss on disposal or retirement of assets

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Net proceeds		(17.4)	(96.8)	(2.2)	(79.6)
Capital grant released	20	(307.4)	(73.6)	-	(2.0)
		(324.8)	(170.4)	(2.2)	(81.6)
Less net book value	11a, b	410.6	199.9	7.4	103.5
Loss on disposal of assets		85.8	29.5	5.2	21.9

>Notes to the accounts (continued)

9 Net finance charges

The finance income recognised in the Income and Expenditure Account is made up as follows:

	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Interest income on bank deposits	(104.6)	(114.0)	(100.5)	(113.0)
Interest income on loans to subsidiaries	-	-	(59.8)	(30.9)
Interest receivable and investment income	(104.6)	(114.0)	(160.3)	(143.9)

The finance costs recognised in the Income and Expenditure Account are made up as follows:

	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Imputed interest on finance lease creditors	155.6	215.7	-	-
Interest expense on financial liabilities measured at amortised cost	115.2	73.7	115.1	73.7
Interest payable and similar charges	270.8	289.4	115.1	73.7

>Notes to the accounts (continued)

10 Taxation

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

	Group 2008/09	Group 2007/08 restated
	£m	£m
Surplus for the year before tax	277.0	15.5
Corporation tax at 28% (2007/08 30%)	77.5	4.7
Capital allowances for the year less than depreciation	41.0	40.5
Adjustment for capital gains	23.5	12.6
Non-taxable exceptional items	(450.3)	-
Other timing differences	(48.6)	(112.8)
Overseas earnings	(1.3)	(1.2)
Permanent difference in TfL Corporation	143.9	(23.4)
Loss for the year carried forward	214.3	79.6
Current tax charge for the year	-	-

At 31 March 2009 the Group had a deferred tax asset in respect of capital allowances of £111.3m (2008 £95.9m). In addition, the Group had a deferred tax asset in respect of accumulated tax losses of £629.0m (2008 £393.1m). No deferred tax asset is accounted for, as it is not believed that such an asset would be recoverable in the foreseeable future.

The full potential liability for deferred taxation in respect of potential capital gains on revalued fixed assets has not been quantified as no tax liability is expected to arise due to the availability of rollover relief.

>Notes to the accounts (continued)

11 Tangible fixed assets

a) Group	Note	Infrastructure and other property	Rolling stock	Plant and equipment	Non-operational assets	Total
		£m	£m	£m	£m	£m
Gross cost or valuation						
Balance at 1 April 2008 restated		21,482.5	3,408.4	1,104.9	1,572.6	27,568.4
Additions to fixed assets		1,520.8	218.9	121.8	938.7	2,800.2
Acquisitions	30a, b	33.7	63.9	10.4	0.3	108.3
Disposals and retirements		(559.9)	(12.1)	(38.7)	(12.1)	(622.8)
Transfers and adjustments		96.0	6.2	32.2	(134.4)	-
Revaluation		(83.6)	-	-	(61.1)	(144.7)
Gross cost or valuation at 31 March 2009		22,489.5	3,685.3	1,230.6	2,304.0	29,709.4
Depreciation						
Balance at 1 April 2008 restated		8,208.9	2,033.9	607.3	-	10,850.1
Disposals and retirements		(167.1)	(11.9)	(33.2)	-	(212.2)
Depreciation charge	11c	470.1	91.1	98.3	-	659.5
Revaluation		(2.1)	-	-	-	(2.1)
Balance at 31 March 2009		8,509.8	2,113.1	672.4	-	11,295.3
Net book value at 31 March 2009		13,979.7	1,572.2	558.2	2,304.0	18,414.1
Net book value at 31 March 2008 restated		13,273.6	1,374.5	497.6	1,572.6	16,718.3

PPP assets and leased assets

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

	Infrastructure and other property	Rolling stock	Plant and equipment	Non-operational assets	Total
	£m	£m	£m	£m	£m
Gross cost					
PPP assets	7,434.8	945.4	243.6	35.8	8,659.6
Leased assets	262.2	78.6	297.2	-	638.0
	7,697.0	1,024.0	540.8	35.8	9,297.6
Depreciation					
PPP assets	2,238.6	504.4	152.2	-	2,895.2
Leased assets	14.4	21.4	43.7	-	79.5
	2,253.0	525.8	195.9	-	2,974.7
Net book value at 31 March 2009	5,444.0	498.2	344.9	35.8	6,322.9
Net book value at 31 March 2008 restated	9,649.3	1,319.2	376.1	355.9	11,700.5

>Notes to the accounts (continued)

11 Tangible fixed assets (continued)

b) Corporation	Note	Infrastructure and other property	Plant and equipment	Non-operational assets	Total
		£m	£m	£m	£m
Gross cost or valuation					
Balance at 1 April 2008		3,830.3	302.5	193.6	4,326.4
Additions to fixed assets		77.4	20.5	105.0	202.9
Disposals and retirements		(58.1)	(12.3)	(0.6)	(71.0)
Transfers and adjustments		37.4	16.6	(54.0)	-
Revaluation		(2.1)	-	21.7	19.6
Gross cost or valuation at 31 March 2009		3,884.9	327.3	265.7	4,477.9

Depreciation

Balance at 1 April 2008		1,796.4	156.2	-	1,952.6
Disposals and retirements		(56.3)	(7.3)	-	(63.6)
Depreciation charge	11c	118.2	44.6	-	162.8
Revaluation		(0.3)	-	-	(0.3)
Balance at 31 March 2009		1,858.0	193.5	-	2,051.5
Net book value at 31 March 2009		2,026.9	133.8	265.7	2,426.4
Net book value at 31 March 2008		2,033.9	146.3	193.6	2,373.8

c) Depreciation charge

	Note	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
		£m	£m	£m	£m
Depreciation for the period:					
- on the historical cost of depreciated fixed assets		391.4	143.8	162.8	164.4
- on the revalued element of depreciated fixed assets		72.7	96.6	-	-
- on assets allocated to PPP contractors		183.3	356.0	-	-
- on assets held under finance leases		12.1	11.2	-	-
Total depreciation charge	11a, b	659.5	607.6	162.8	164.4
Less release of deferred grants	20	(379.2)	(362.0)	(42.2)	(55.7)
Depreciation net of release of deferred grants		280.3	245.6	120.6	108.7

>Notes to the accounts (continued)

11 Tangible fixed assets (continued)

d) Historical cost of assets

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

	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
Infrastructure and other property	18,018.3	16,853.6	3,885.8	3,829.4
Rolling stock	2,498.7	2,212.1	-	-
Plant and equipment	1,150.3	1,023.6	327.3	302.5
Non-operational assets	2,074.5	1,275.5	211.6	168.0
Gross cost	23,741.8	21,364.8	4,424.7	4,299.9
Less accumulated depreciation	(6,338.9)	(5,866.6)	(2,054.0)	(1,955.0)
Net written down cost	17,402.9	15,498.2	2,370.7	2,344.9

e) Group assets

	Group 2009	Group 2008
	Number	Number
Railway carriages	4,204	4,164
Track route length (kilometres)	458	430
Railway stations	289	287
Bridges and viaducts	1,961	1,961
Roads (kilometres)	580	580
Car ferries	3	3
Buses	552	535
Bus stations and stands	106	106
Bus shelters	9,643	9,558
Offices	172	164
Piers	9	9

f) Capital expenditure analysed by source of finance

	Note	Corporation 2009	Corporation 2008
		£m	£m
Analysis by source of finance:			
Transport capital grants		183.1	51.5
Prudential borrowing used to fund fixed assets		-	12.9
Third party contributions	20	17.4	4.7
Capital receipts		2.4	106.8
	11b	202.9	175.9

>Notes to the accounts (continued)

12 Subsidiaries

At 31 March	Group		Corporation	
	2009	2008	2009	2008
	£m	£m	£m	£m
	-	-	22.5	22.5

The Group's subsidiaries are:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
London Bus Services Limited	Passenger transport by bus
Docklands Light Railway Limited	Passenger transport by rail
Rail for London Limited	Passenger transport by rail
Victoria Coach Station Limited	Coach station
London River Services Limited	Pier operator
London Buses Limited	Bus operator and Dial-a-Ride
London Transport Insurance (Guernsey) Limited	Insurance
LUL Nominee BCV Limited	Maintenance of underground lines
Metronet TMU Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Metronet REW Limited	Maintenance of underground lines
Crossrail Limited (formerly Cross London Rail Links Limited)	Construction of Crossrail infrastructure
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Museum shop
Tramtrack Croydon Limited	Passenger transport by tram
Tramtrack Leasing Limited	Passenger transport by tram – lease rental company
Tramtrack Lease Financing Limited	Passenger transport by tram – lease finance company

The Group holds 100 per cent of the share capital of all subsidiaries. The accounts of these companies are lodged at Companies House and at the Charity Commission for the London Transport Museum Limited. TfL has given assurances of financial support to the boards of all the subsidiary companies listed above. The statutory accounts for the subsidiary companies for the year ended 31 March 2009 all received unqualified audit opinions.

>Notes to the accounts (continued)

13 Stocks

	Group 2009 £m	Group 2008 £m	Corporation 2009 £m	Corporation 2008 £m
Maintenance stores	19.2	3.6	2.7	2.1
Goods purchased for resale	1.0	0.6	-	-
	20.2	4.2	2.7	2.1

During the year the Group acquired the business of the Metronet Infracos which included large maintenance stores. Further detail of acquisition values is given in Note 30.

14 Debtors

	Group 2009 Note £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Amount falling due after one year				
Amounts due from subsidiary companies – loans	-	-	2,184.9	1,322.2
Amount falling due within one year				
Trade debtors	294.3	251.8	73.5	66.9
Other debtors	82.3	208.8	82.3	174.7
Loan agreement with the Metronet Infracos	-	31.9	-	31.9
Prepayments and accrued income	111.8	109.4	51.1	66.7
	488.4	601.9	206.9	340.2

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

TfL entered into a Loan Agreement with the PPP Administrators and the Metronet Infracos on 18 July 2007. The Loan Agreement made funds available to the PPP Administrator to meet Administration Expenses. As at 31 March 2009, the outstanding balance on the loans amounted to £314.6m (2008 £241.8m). An additional provision was made during the year of £104.7m, and as a result the loans are now fully provided against (2008 provision of £209.9m). Other debtors include £1,748.8m (2008 £1,748.8m) due from the Metronet Infracos in administration which has been fully provided against.

>Notes to the accounts (continued)

15 Short-term investments

Note	Group	Group	Corporation	Corporation
	2009	2008	2009	2008
	£m	£m	£m	£m
Short-term investments	21	1,967.8	1,870.0	1,925.8
		1,967.8	1,870.0	1,925.8
				1,832.7

Short-term investments include amounts placed on deposit with HM Treasury Debt Management Office of £1,256.4m (2008: £nil) and with banks and financial institutions of £711.4m (2008: £1,870.0m). Refer to Note 21 for the Group's credit risk management policies.

16 Cash at bank and in hand

Note	Group	Group	Corporation	Corporation
	2009	2008	2009	2008
	£m	£m	£m	£m
Cash at bank	13.4	15.0	11.0	3.2
Cash in hand and in transit	20.7	23.0	0.2	0.2
	34.1	38.0	11.2	3.4
21				

>Notes to the accounts (continued)

17 Creditors

		Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	Note	£m	£m	£m	£m
a) Amounts falling due within one year					
Trade creditors		996.0	882.8	256.2	248.5
Capital works		479.0	347.1	80.7	76.8
Amounts due to subsidiary companies		-	-	126.7	138.9
Finance lease obligations repayable within one year	21	193.2	556.5	-	-
Salaries and wages		44.1	23.5	7.7	6.3
Receipts in advance for travelcards and bus passes and Oystercard		191.4	153.6	-	-
		1,903.7	1,963.5	471.3	470.5
b) Amounts falling due after more than one year					
Retentions on capital contracts		0.8	0.7	0.8	0.6
Accruals and deferred income		30.0	25.4	9.5	5.7
Finance lease obligations	21	1,999.4	2,754.1	-	-
		2,030.2	2,780.2	10.3	6.3

The decrease in obligations under finance leases was caused by releasing the Metronet finance lease creditor of £1,705.5m into income during the year (see Note 30a). This is partially offset by fixed asset additions provided by the remaining PPP contractor during the year and the Woolwich Arsenal DLR extension.

>Notes to the accounts (continued)

18 Provisions for liabilities and charges

		At 1 April 2008 restated	Payments in year	Increase/ (decrease) in provision	At 31 March 2009
	Note	£m	£m	£m	£m
Group					
Claims for compensation		194.1	(82.0)	7.0	112.8
Capital investment activities		8.7	(3.4)	-	5.3
Unfunded pension liabilities	22f	42.8	(3.7)	1.5	40.6
Other		10.5	(11.4)	36.0	35.1
		256.1	(100.5)	38.2	193.8
Corporation					
Claims for compensation		46.4	(23.7)	20.6	43.3
Capital investment activities		8.4	(3.3)	-	5.1
Unfunded pension liabilities		25.6	(2.5)	1.0	24.1
Other		0.2	-	5.1	5.3
		80.6	(29.5)	26.7	77.8

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

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

Details of unfunded pension liabilities are given in Note 22f.

>Notes to the accounts (continued)

19 Borrowings

The carrying value of debt is as follows:

	Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Borrowings	21	3,017.6	1,950.0	3,017.6	1,950.0

The increase in borrowings reflects the drawdowns on the EIB facilities for the East London line of £190.0m and net proceeds from Public Works Loan Board borrowings of £877.6m.

20 Deferred grants

	Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Balance at 1 April		6,864.2	6,847.2	417.6	419.1
Transport grant	7	1,802.1	462.2	331.2	201.5
Third party contributions and other grant funding	11f	236.5	140.4	17.4	4.7
Release of deferred grant:					
- to meet the depreciation charge	11c	(379.2)	(362.0)	(42.2)	(55.7)
- to meet the deferred charges		-	(150.0)	-	(150.0)
- on disposal of tangible fixed assets	8	(307.4)	(73.6)	-	(2.0)
Balance at 31 March		8,216.2	6,864.2	724.0	417.6

>Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments

Fair value of assets and liabilities carried at amortised cost

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

- > no early repayment or impairment is recognised
- > the fair value of trade and other receivables is taken to be the invoiced or billed amount less provision for doubtful or bad debts

The fair values of all financial liabilities compared to carrying amounts are as follows:

	Note	Group 2009 Carrying amount	Group 2008 Carrying amount restated	Group 2009 Fair value	Group 2008 Fair value restated
		£m	£m	£m	£m
Trade and other payables		1,741.3	1,433.1	1,741.3	1,433.1
Finance lease obligations	17	2,192.6	3,310.6	2,192.6	3,310.6
Borrowings	19	3,017.6	1,950.0	3,118.3	1,959.5
Financial liabilities		6,951.5	6,703.2	7,052.2	6,703.2

At 31 March 2009 the average middle market value, as an indicator of fair value, from four leading financial institutions, of the group's quoted debt was £566.8m (2008 £550.2m) and fair value for the Public Works Loan Board debt provided by the Debt Management Office was £2,172.4m (2008 £1,215.1m). The fair value is more or less than the carrying amount because the Corporation's portfolio of loans consists exclusively of fixed rate loans where the interest rate payable may be greater or lower than the rates available for similar loans at the balance sheet date. All other financial liabilities have fair values equal to their book value. Loans bear a market rate of interest at the time the borrowings were made.

The fair values of all financial assets compared to carrying amounts are as follows:

	Note	Group 2009 Carrying amount	Group 2008 Carrying amount restated	Group 2009 Fair value	Group 2008 Fair value restated
		£m	£m	£m	£m
Trade and other receivables	14	488.4	601.9	488.4	601.9
Investments	15	1,967.8	1,870.0	1,967.8	1,870.0
Cash	16	34.1	38.0	34.1	38.0
Financial assets		2,490.3	2,509.9	2,490.3	2,509.9

Trade and other receivables above do not include debtors which are not expected to be settled in cash. All financial assets have fair values equal to their book value.

>Notes to the accounts (continued)

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

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

- > credit risk
- > liquidity risk
- > market risk

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

It specifically considers the short and long-term funding requirements of the Group's operations, its capital investment programmes and liquidity required to discharge its financial obligations when they fall due. It also considers its exposure to inflation and interest rates as they affect its commercial and financial activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services and capital investment.

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

In accordance with the Local Government Act 2003 the Mayor sets an affordable borrowing limit. By Regulation, the Mayor and the Corporation are required to have regard to the Prudential Code. Accordingly, TfL annually approves indicators for prudent and affordable borrowing, for estimates of capital expenditure and for interest rate exposures and the maturity profiles of borrowing.

The Group's main financial assets and liabilities are its cash and investments, its borrowings and its obligations under finance leases (mainly the Tube Lines PPP arrangement). These financial assets and liabilities are taken into account when considering the prudence and affordability of the long-term funding plan necessary to support the Group's operations and capital investment programmes.

In managing financial assets and liabilities, the annual Treasury Management Strategy has the following objectives:

- > to undertake treasury management operations with primary regard for the security and liquidity of capital invested with reference to the Office of the Deputy Prime Minister (ODPM)'s guidance
- > to maximise yield from investments consistent with security and liquidity objectives
- > to ensure that sufficient cash is available to enable the Group to discharge its financial obligations when they become due, in accordance with approved spending plans
- > to undertake treasury management activity having regard to Prudential Code Indicators

>Notes to the accounts (continued)

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

Credit risk

Credit risk is managed on a Group 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, and arises from deposits with banks and financial institutions and from the Group's customers and suppliers. The following categories comprise the maximum credit exposure of the Group.

Trade and other receivables

The majority of the Group's trade debtors are individuals who owe amounts relating to the use of transport infrastructure. 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 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.

Investments

All cash balances are invested in accordance with the Treasury Code and with regard to the ODPM Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity. TfL's liquidity levels are substantial. It maintains the investment policy of short-term, high-security specified investments, which must satisfy the conditions set out below:

- > The investment is denominated in Sterling and any payments or repayments in respect of the investment are payable in Sterling only
- > The investment is not a long-term investment (ie has a maturity of less than one year)
- > The investment does not involve the acquisition of share or loan capital in any body corporate
- > The investment is either:
 - made with the UK Government; or
 - made with a body or in an investment scheme which has been awarded a high (investment grade) credit rating by a credit rating agency

Non-UK Government investments are made only with banks and financial institutions if placed on the Group's Approved Investment List. In determining whether to place an institution on the Approved Investment List, the Group will consider the 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.

>Notes to the accounts (continued)

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

Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to a minimum credit rating of the institution (in the range of A+ to AAA) from at least two credit rating agencies (at the time of making the deposit).

In addition, there is a country exposure limit of £200m, so that at any one time the aggregate of all investments in entities in a single country or jurisdiction does not exceed this limit. This will apply for all countries except the UK.

Guarantees

The Group provides guarantees to third parties under Section 160 of the Greater London Authority Act 1999, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise 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 SORP. Further detail is given in Note 29.

Impairment

The Group establishes an impairment that represents its estimate of incurred losses in respect of amounts due to it. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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.

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

>Notes to the accounts (continued)

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

Further protection is provided to the Group by:

- i) borrowing only for capital expenditure incurred in the medium term (three years) and for periods that equate broadly to the lives of the assets being acquired
- ii) fixing interest at historically low long-term rates and
- iii) making provision in its financial plans to ensure that sufficient resources are retained to repay borrowings at maturity. Revenue expenditure is funded by cash fares from customers, cash-backed reserves and cash-backed grant from Government, agreed up to 2017/18. As revenue budgets are required by law to be balanced each year, there is no significant liquidity risk attached to revenue expenditure.

The following represents the maturity analysis of the principal amounts for each source of borrowing for the Group and the Corporation as at 31 March 2009:

	EIB	Loan notes	PWLB	Amount
	£m	£m	£m	£m
Within five years	-	-	-	-
Between five and ten years	90.0	-	-	90.0
Between ten and fifteen years	150.0	-	97.4	247.4
Between fifteen and twenty years	150.0	80.0	-	230.0
Between twenty and twenty-five years	60.0	380.0	226.2	666.2
Between twenty-five and thirty years	-	40.0	467.6	507.6
Between thirty and thirty-five years	-	100.0	304.5	404.5
Between thirty-five and forty years	-	-	430.1	430.1
Between forty and forty-five years	-	-	355.1	355.1
Between forty-five and fifty years	-	-	160.0	160.0
Total principal repayable	450.0	600.0	2,040.9	3,090.9
Drawn down at 31 March 2009	384.2	600.0	2,040.9	3,025.1
Drawn down at 31 March 2008	194.2	600.0	1,163.3	1,957.5

The maturity analysis of finance lease creditors for the group is as follows:

	Group 2009 £m	Group 2008 £m
Within one year	193.2	556.5
Between one and five years	1,543.2	2,435.0
Between five and ten years	151.9	96.6
Over ten years	304.3	222.5
Total finance lease creditor payable	2,192.6	3,310.6

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 or the value of its holdings of financial instruments.

Interest rate risk

The Group has a policy of fixing interest rates on debt. While this protects the Group from adverse increases in interest rates, in a low interest rate environment these rates could potentially be higher than equivalent floating rates.

>Notes to the accounts (continued)

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

Interest rate risk (continued)

Because interest rates are currently fixed at historically low levels, the Group is not exposed to significant risk in upward interest rate movements on its borrowings.

The Group invests surplus cash in short-term instruments, typically with terms of 30 – 90 days. As described in this note (see Credit Risk), the Corporation has adopted a very cautious investment strategy for new investments.

The impact of a 50 basis point decrease in interest rates over the next year on the Income and Expenditure Account would be that TfL would earn £6.5m less interest on its investments.

Foreign exchange risk

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

22 Pensions

a) Summary of pension totals for the year

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
TfL Pension Fund		158.8	150.6	31.4	27.9
Local Government Pension Scheme		2.6	2.3	2.6	2.3
Principal Civil Service Pension Scheme		1.2	1.3	1.2	1.2
Unfunded schemes provision		0.9	3.6	0.6	3.1
Other schemes		4.1	16.6	0.7	(0.1)
Amount included in net cost of services	3	167.6	174.4	36.5	34.4

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

Total pensions interest cost and expected return on pensions assets

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
TfL Pension Fund		38.3	(18.9)	-	-
Local Government Pension Scheme		0.6	0.1	0.6	0.1
Unfunded Schemes Provision		2.8	2.2	1.7	1.3
Amount included in net operating expenditure	22b	41.7	(16.6)	2.3	1.4

Total pension deficit at end of year

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
TfL Pension Fund		(1,130.2)	(596.7)	-	-
Local Government Pension Scheme		(17.3)	(10.1)	(17.3)	(10.1)
		(1,147.5)	(606.8)	(17.3)	(10.1)
Unfunded Schemes Provision	18, 22f	(40.6)	(42.8)	(24.1)	(25.6)
Deficit recognised as a liability in the balance sheet	22b	(1,188.1)	(649.6)	(41.4)	(35.7)

>Notes to the accounts (continued)

22 Pensions (continued)

The majority of the Group's staff are members of the three sections of the TfL Pension Fund, namely the Public Sector Section, LUL Nominee BCV Section and LUL Nominee SSL Section. The latter two Sections transferred to the Group with the Metronet business in May 2008. The majority of the Group's remaining staff belongs to the Local Government Pension Scheme or the Principal Civil Service Pension Scheme.

b) TfL Pension Schemes

This section deals with those pension funds to which the Group contributions are accounted for under FRS 17 as defined benefit schemes.

TfL Pension Fund

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

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2006 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method.

A revised Schedule of Contributions was agreed between the Trustee and the employers following the 2006 formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employers' contributions for the period 1 September 2007 to 31 March 2010 were increased to 31.0 per cent (from 30.5 per cent), and contributions from 1 April 2010 until 31 March 2017 will reduce to 22.5 per cent. The employers' contribution includes 9.25 per cent to cover the funding shortfall under the recovery plan. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2017. The actual contributions payable from 1 April 2010 may differ from this, dependent on the outcome of the 2009 full actuarial valuation.

Employers' contributions for the BCV and SSL sections are 22.5 per cent, and the recovery plan states that the expectation is that the funding shortfall will be eliminated by providing an additional contribution of £8.6m each year until 31 March 2014. TfL agreed, as part of the acquisition of the Metronet business, to make a lump sum payment of £42.4m to these Sections in lieu of the on-going deficit payments. This payment was made on 30 May 2008.

The Corporation and the Group both account for pension costs in accordance with FRS 17. The underlying assets and liabilities of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with the standard, the Corporation treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The pension cost recognised in the Corporation's accounts for the Public Sector Section is the amount of contributions payable to the scheme during the year. The BCV and SSL Sections only cover individuals employed by London Underground. These Sections are therefore accounted for as defined benefit schemes in the accounts of London Underground and in the Group accounts.

A separate valuation of the three relevant Sections of the TfL Pension Fund has been prepared for accounting purposes on an FRS 17 basis as at 31 March 2009. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' liabilities is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The liabilities for the TfL Pension Fund have been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2006. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements in line with the medium cohort projections.

>Notes to the accounts (continued)

22 Pensions (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 liabilities of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under FRS 17. Employer's contributions were payable at the rate of 15.8 per cent (2007/08 14.1 per cent) of pensionable pay. The Corporation's share of the underlying assets and liabilities resulted in a deficit of £17.3m (2007/08 £10.1m). A full actuarial valuation was carried out at 31 March 2007.

The annual report and accounts for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

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

	FRS 17 valuation at 31 March 2009	FRS 17 valuation at 31 March 2008 restated	FRS 17 valuation at 31 March 2007 restated
	%	%	%
Inflation	2.2-3.1	3.6	3.1-3.2
Rate of increase in salaries	2.95-4.6	5.1	4.6-4.7
Rate of increase of pensions in payment and deferred pensions	2.9-3.1	3.6	3.1-3.2
Discount rate	6.9	6.8-6.9	5.35-5.4
Investment return	6.3-6.4	6.8-7.0	6.9-7.2

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

	Expected return	Value at 31 March 2009	Expected return	Value at 31 March 2008 restated	Expected return	Value at 31 March 2007 restated
	%	£m	%	£m	%	£m
Equities	7.9	2,191.6	8.2	2,332.3	8.1	2,600.2
Bonds	4.2	1,270.1	4.9	1,614.1	4.9	1,430.1
Cash, property and other assets	3.7	295.5	5.3	178.3	4.7	107.6
Total fair value of assets		3,757.2		4,124.7		4,137.9
Actuarial valuation of liabilities		(4,945.3)		(4,774.3)		(5,127.9)
Deficit in the Schemes recognised as a liability in the balance sheet		(1,188.1)		(649.6)		(990.0)

>Notes to the accounts (continued)

22 Pensions (continued)

The TfL and the Local Government Pension Schemes' assets consist of the following categories, by proportion of the total assets held. The unfunded pension schemes have no assets to cover their liabilities.

	31 March 2009	31 March 2008 restated	31 March 2007 restated
	%	%	%
Equities	58	57	63
Bonds	34	39	35
Cash, property and other assets	8	4	2
	100	100	100

Income and Expenditure Account	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Analysis of amounts charged to net cost of services				
Current service cost	158.3	152.9	1.7	2.3
Past service cost	3.7	0.6	1.2	0.4
Curtailment and settlements	0.2	-	0.2	-
Total charged to net costs of services	162.2	153.5	3.1	2.7
Analysis of pensions interest cost and expected return on assets				
Interest on Schemes liabilities	348.7	274.6	5.6	4.1
Expected return on Schemes assets	(307.0)	(291.2)	(3.3)	(2.7)
Total charged/(credited) to net operating expenditure	41.7	(16.6)	2.3	1.4
Total amount included in operating expenditure in Income and Expenditure Account				
Contribution to pension reserve	10.0	29.6	(1.5)	(0.2)
Amount to be met from government grant	213.9	166.5	3.9	3.9
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)				
Actuarial loss/(gain) recognised in STRGL during the year	530.5	(311.3)	5.7	(3.1)
Cumulative loss recognised in STRGL at end of the year	801.8	271.3	16.9	11.2

>Notes to the accounts (continued)

22 Pensions (continued)

Analysis of scheme liabilities into amounts arising from schemes that are wholly or partly funded and wholly unfunded	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Wholly unfunded schemes	40.6	42.8	24.1	25.6
Wholly or partly funded schemes	4,904.7	4,731.5	55.5	55.8
Total scheme liabilities	4,945.3	4,774.3	79.6	81.4

Reconciliation of present value of the scheme liabilities:	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Change in liabilities				
Actuarial value of liabilities at start of year	4,774.3	5,127.9	81.4	75.9
Liabilities acquired in the year	446.2	-	-	-
Current service cost	158.3	152.9	1.7	2.3
Interest cost	348.7	274.6	5.6	4.1
Employee contributions	36.2	26.6	0.9	0.7
Actuarial (gain)/loss on liabilities	(631.5)	(633.2)	(7.6)	1.1
Actual benefit payments	(190.8)	(175.1)	(3.8)	(3.1)
Past service cost	3.7	0.6	1.2	0.4
Curtailment	0.2	-	0.2	-
Actuarial value of liabilities at end of year	4,945.3	4,774.3	79.6	81.4

Reconciliation of fair value of the scheme assets:	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Change in assets				
Fair value of assets at start of year	4,124.7	4,137.9	45.7	37.7
Assets acquired in the year	382.8	-	-	-
Expected return on assets net of expenses	307.0	291.2	3.3	2.7
Gain/(loss) on assets	(1,162.0)	(321.9)	(13.3)	4.2
Actual employer contributions	259.3	166.0	5.4	3.5
Employee contributions	36.2	26.6	0.9	0.7
Actual benefits paid	(190.8)	(175.1)	(3.8)	(3.1)
Fair value of assets at end of year	3,757.2	4,124.7	38.2	45.7

c) Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and as permitted by the multi-employer exemption in FRS 17, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice-pensions.gov.uk).

>Notes to the accounts (continued)

22 Pensions (continued)

c) Principal Civil Service Pension Scheme (continued)

Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands. Rates will change as of 1 April 2009, subject to salary band changes. Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

d) 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 53 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 and as a result of this, CRL is unable to identify its share of the underlying assets and liabilities. It is therefore accounted for as a defined contribution scheme under FRS 17. An actuarial valuation was carried out on the Omnibus Section of the scheme at 31 December 2007. The actuarial report showed that there was a surplus between the assets and liabilities of £6.236m for the total Omnibus Section.

The current level of total contribution is 27.8 per cent. The findings of the 2007 valuation report have been translated into new contribution levels of 31 per cent, effective from 1 July 2009. The Trustee believes that it would not be prudent to use the surplus disclosed by the valuation to reduce contributions to less than the future service joint contribution rate.

e) Analysis of movements in pensions reserve

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

The Schemes	Group 2008/09	Group	Group	Group	Group
		2007/08 restated	2006/07 restated	2005/06 restated	2004/05 restated
Difference between the expected and actual return on assets gain/(loss)					
amount (£ million)	(1,162.0)	(321.9)	72.3	473.7	97.9
percentage of scheme assets	30.9%	7.8%	1.7%	12.5%	3.2%
Differences between actuarial assumptions about liabilities and actual experience gain/(loss)					
amount (£ million)	(71.7)	(156.2)	(179.7)	59.8	(99.0)
percentage of the present value of the scheme liabilities	1.4%	3.3%	3.5%	1.3%	2.5%
Changes in the demographic and financial assumptions used to estimate liabilities gain/(loss)					
amount (£ million)	703.2	789.4	(97.9)	(354.8)	(92.4)
percentage of the present value of the scheme liabilities	14.2%	16.5%	1.9%	7.8%	2.3%
Surplus/(deficit) at year end					
Fair value of assets at year end	3,757.2	4,124.7	4,137.9	3,794.3	3,058.7
Actuarial value of liabilities at year end	(4,945.3)	(4,774.3)	(5,127.9)	(4,564.1)	(4,019.4)
Surplus/(deficit) in schemes at year end	(1,188.1)	(649.6)	(990.0)	(769.8)	(960.7)

>Notes to the accounts (continued)

22 Pensions (continued)

f) Unfunded pension costs

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

In addition, the Group bears the cost of:

- > ex-gratia payments which are made to certain former employees who retired more than 10 years ago in respect of service prior to the establishment of pension funds for those employees
- > supplementary pensions, which are made to certain former employees who retired more than 10 years ago and prior to index linking of pensions
- > pensions of London Underground and London Regional Transport (LRT) former board members who retired more than five years ago and who did not qualify to join the TfL Pension Fund

Watson Wyatt, consulting actuaries, were instructed to report on the financial position of the unfunded pension liabilities as at 31 March 2009 for the purpose of FRS17 only. The report does not constitute a formal actuarial valuation of the unfunded pension liabilities. The valuation as at 31 March 2009 was £40.6m (2008 £42.8m) and is fully provided for in these accounts.

23 Movements in reserves

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

Group	Balance at	Gains/(losses)	Transfers	Balance at
	1 April 2008	for the year	between reserves	31 March 2009
	£m	£m	£m	£m
General fund	161.6	(513.9)	507.6	155.3
Earmarked reserves	1,442.8	-	(301.1)	1,141.7
Capital adjustment account	1,359.7	-	(204.9)	1,154.8
Fixed asset revaluation reserve	1,869.7	(142.5)	(72.7)	1,654.5
Group profit and loss reserve	30.1	701.3	61.1	792.5
Capital reserves in subsidiaries	5.8	-	-	5.8
Group pensions reserve	(606.8)	(440.9)	10.0	(1,037.7)
Merger reserve	466.1	-	-	466.1
Other reserves	82.6	-	-	82.6
	4,811.6	(396.0)	-	4,415.6

>Notes to the accounts (continued)

23 Movements in reserves (continued)

Corporation	Balance at	Gains/(losses)	Transfers	Balance at
	1 April 2008	for the year	between reserves	31 March 2009
	£m	£m	£m	£m
General fund	161.6	(513.9)	507.6	155.3
Earmarked reserves	1,442.8	-	(301.1)	1,141.7
Capital adjustment account	1,359.7	-	(204.9)	1,154.8
Fixed asset revaluation reserve	34.7	19.9	(0.1)	54.5
Pensions reserve in Corporation	(10.1)	(5.7)	(1.5)	(17.3)
Other Corporation reserves	(26.9)	-	-	(26.9)
	2,961.8	(499.7)	-	2,462.1

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

The pensions reserve represents pension and other post-retirement liabilities as shown on the Balance Sheets of the subsidiary companies. The merger reserve of £466.1m arose as a result of the transfer of the net assets of LRT, including the share capital of London Underground Limited, to TfL in 2003. It represents the share capital of London Underground and was taken as a credit to reserves as no consideration was given by TfL in respect of the transfer.

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

>Notes to the accounts (continued)

23 Reconciliation of the surplus for the year on the Income and Expenditure Account to the surplus for the year on the General Fund

The surplus for the year on the General Fund was £507.6m higher than (2007/08 £64.1m lower than) the Income and Expenditure Account result for the Corporation. This is explained as follows:

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

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

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

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

>Notes to the accounts (continued)

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

	Note	Corporation 2009 £m	Corporation 2008 £m
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year			
Depreciation and amortisation of fixed assets	11c	(162.8)	(164.4)
Government grants deferred amortisation matching depreciation	11c	42.2	55.7
Net loss on disposal or retirement of fixed assets	8	(5.2)	(21.9)
Amount by which pension costs are different from the contributions paid		(1.5)	-
		(127.3)	(130.6)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the General Fund surplus or deficit for the year			
Statutory provision for repayment of debt	25	(79.2)	51.7
		(79.2)	51.7
Transfers to/from the General Fund that are required by statute to be taken into account when determining the General Fund surplus/deficit for the year			
Transfers made at the discretion of the Corporation to or from reserves that have been earmarked for specific purposes	23	(301.1)	143.0
		(301.1)	143.0
Amount by which the surplus on the General Fund for the year was (higher)/lower than the Income and Expenditure Account result for the year		(507.6)	64.1

>Notes to the accounts (continued)

25 Minimum revenue provision

The Local Government and Housing Act 1989 required 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 account of in determining whether annual budget 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 will be funded from income in the year the debt service is required
- > The ratio of debt service to recurring income (including grant) has a ceiling of 5 per cent
- > On a programme view, debt maturity should not exceed the useful life of the capital asset financed

During the year, TfL has released the £79.2m balance of MRP held at 31 March 2008 to the General Fund from the Capital Adjustment Account.

26 Capital Commitments

	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
In respect of contracts placed for:				
Surface transport projects	121.4	134.8	49.3	67.4
London Underground projects	1,103.5	320.5	-	-
Rail for London projects	206.6	484.8	-	-
Other projects	12.0	11.1	11.9	7.1
	1,443.5	951.2	61.2	74.5

>Notes to the accounts (continued)

27 Financial commitments

a) Operating leases

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

	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Property leases which expire:				
Within one year	1.7	2.2	-	-
Between one and five years	16.4	19.3	-	-
Thereafter	32.6	27.6	-	-
	50.7	49.1	-	-
PFI agreements and other leases which expire:				
Within one year	0.6	3.9	0.1	-
Between one and five years	122.5	5.2	0.3	0.4
Thereafter	171.9	276.2	27.8	28.6
	295.0	285.3	28.2	29.0

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

In addition to the above, the Group entered into a PFI for a new gating and ticketing system. This has been accounted for as an operating lease and the assets have not been included in the balance sheet to date. TfL exercised a termination clause for the PFI in August 2008. When the contract ends in August 2010, the assets under the PFI will be recorded on TfL's balance sheet.

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

>Notes to the accounts (continued)

27 Financial commitments (continued)

b) PPP

London Underground has entered into three PPP contracts for the maintenance, enhancement and replacement of its operational assets, although following the failure of the two Metronet Infracos, two contracts are now intragroup. The contracts are for 30 years and are re-negotiable every 7.5 years. The amount payable to the PPP contractors is dependent upon their performance. The capital element of the contracts over the 30 year period is estimated to be between £15bn and £20bn.

c) Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Statement of Accounts, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made. The financial statements include provisions based on management's best estimate of the outcome of these uncertainties (see Note 18).

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

>Notes to the accounts (continued)

28 Related parties

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

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

- > its Board Members, Chief Officers and Commissioner
- > Central Government
- > Greater London Authority and other functional bodies
- > partnerships and associated companies, and
- > the TfL Pension Fund

Disclosure of these transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

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

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

Central Government is responsible for providing the statutory framework within which the Corporation operates and provides the majority of its funding in the form of Transport Grant. Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Income and Expenditure Accounts and Cash Flow Statements and are therefore not included in this note.

During 2008/09 there were no other material-related party transactions except as disclosed below.

	Total income during the year	Total expenditure during the year	Outstanding balance at 31 March 2009
	£m	£m	£m
Greater London Authority (GLA)	0.1	3.8	-
Metropolitan Police Authority (MPA)	0.4	88.5	(11.3)
London Development Agency (LDA)	44.0	1.8	5.5

>Notes to the accounts (continued)

29 Guarantees

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

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

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

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

	£m
Agreement with Tube Lines	1,803
Agreement with CityLink	502
Agreement with Canary Wharf Properties (Crossrail) Limited	500
Agreement with WARE	218
Agreement with TranSys	197
Agreement with PADCo and EDF Energy Powerlink Ltd	168
Agreement with CARE	164
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

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

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the Greater London Authority Act 1999.

>Notes to the accounts (continued)

30 Mergers and acquisitions

a) Metronet

On 27 May 2008, the acquisition of the assets of the Metronet Infracos from the administrators was completed. During the previous year, the Group created two new subsidiaries, namely LUL Nominee BCV Limited and LUL Nominee SSL Limited (the Nominee companies) and during the current year transferred certain assets and liabilities to these companies under statutory transfer schemes (the Transfer Schemes). Following court approval on 23 May 2008, the Transfer Schemes were effected on 27 May 2008 for a total cash consideration of £50m.

The consideration received by the Metronet Infracos was applied by the PPP Administrator as part repayment of the loan from TfL. This means that no part of the cash consideration remained with the Metronet Infracos and the net effect for TfL as a whole was cash neutral. However, this is presented as purchase consideration in the table opposite.

Effective as of the acquisition date, London Underground and the two Nominee companies entered into a number of agreements to amend the Infrastructure Service Charge to reflect the debt-free status of the two Nominee companies. The Infrastructure Service Charge for the period from 27 May 2008 is set at such a level to ensure that the Nominee companies break even. The finance lease creditor in respect of the Metronet PPP contracts was therefore released into Income during the year. The finance lease creditor balance as at 27 May 2008 was £1,705.5m (see Note 6 Exceptional Items). The release of the finance lease creditor offsets the provision against the loan receivable from Metronet, recognised in the previous year.

Included in the assets of the Infracos subject to the Transfer Schemes were the shares of Metronet REW Limited and Metronet TMU Limited. The employees of these two companies entered into new contracts with the Nominee companies on 1 July 2008. The assets and liabilities of these companies were transferred to the Nominee companies for nil consideration under a transfer scheme on 31 March 2009. The transfers of employees, assets and liabilities within the Group were accounted for under FRS 6 as a reorganisation.

>Notes to the accounts (continued)

30 Mergers and acquisitions (continued)

a) Metronet (continued)

Account	27 May 2008	27 May 2008	27 May 2008	27 May
	Book Value	Adjustments	Fair value	2008
		for Group policy	adjustments	Fair Value total
	£m	£m	£m	£m
Tangible fixed assets	2,759.8	(2,749.1)	-	10.7
Stocks	15.1	-	-	15.1
Trade debtors	73.6	-	64.2	137.8
Cash at bank and in hand	157.7	-	-	157.7
Creditors: amounts falling due within one year	(274.3)	-	-	(274.3)
Other provisions	(1.6)	-	(29.6)	(31.2)
Pension provision	(13.4)	-	(50.0)	(63.4)
Total	2,716.9	(2,749.1)	(15.4)	(47.6)
Purchase consideration				50.0
Goodwill				97.6

The fair value adjustments made above are in respect of the following:

- > The Metronet companies had historically accounted for the assets which were transferred to them under the PPP contracts as tangible fixed assets at cost on their balance sheets. However, as described in accounting policy Note m, based on its own analysis following FRS 5 application Note F, the Group had determined that the balance of the risks and rewards of ownership rested with London Underground and these assets had also been recorded on the London Underground balance sheet. Accordingly, an adjustment has been made to align the Nominee companies accounting with that of the Group and so remove the tangible fixed assets and related capitalised interest from the books of the Nominee companies
- > As described in accounting policy Note m, the Group carries a finance lease creditor balance in relation to the PPP contracts. This amount broadly represents the timing difference between cash paid to the Infracos and the amount of work they have already performed. Consideration was given as to whether a finance lease debtor should have been established in the Nominee companies in the table above to match the related finance lease creditor balance of £1,705.5m. However, given the loss making position of the PPP contract in the Nominees, it was considered that this balance was not recoverable by the Nominees and hence no net adjustment arises
- > The other fair value adjustments were primarily a provision for asbestos remediation and an increase in the pension provision following a full FRS 17 valuation being performed, and recognition of the related amounts anticipated to be recovered by the Nominees from London Underground

The Nominees' contribution to revenue post acquisition was £nil. For the year ended 31 March 2008, and for the period ended 27 May 2008, the Metronet Infracos did not report a profit or loss as they were in administration and did not prepare accounts.

>Notes to the accounts (continued)

30 Mergers and acquisitions (continued)

b) Tramtrack Croydon

On 27 June 2008, the acquisition of Tramtrack Croydon Limited (TCL) was completed, with 100 per cent of the shares acquired for a £1 consideration, which represented the fair value of net assets acquired. Immediately prior to acquisition, the Group lent TCL £98m in order to settle its shareholder loans.

The group comprises TCL and two wholly owned subsidiaries, Tramtrack Leasing Limited, which holds and rents out assets relating to the concession agreement and Tramtrack Lease Financing Limited, which acts as the intra-group lessor in respect of the finance leases for tram and track assets relating to the operation of the Croydon Tramlink system. The assets and liabilities acquired are set out below:

	27 June 2008	27 June 2008	27 June 2008
	Book Value	Fair Value	Fair Value
		Adjustments	total
	£m	£m	£m
Fixed assets	173.5	(75.9)	97.6
Debtors	2.3	-	2.3
Cash	1.1	-	1.1
Creditors	(3.0)	-	(3.0)
TfL loan	(98.0)	-	(98.0)
Deferred grant	(92.4)	92.4	-
Total	(16.5)	16.5	-
Purchase consideration			-
Goodwill			-

The fair value adjustments made above are in respect of the following:

- > As there is no active market for the fixed assets of the Croydon Tramlink system, these have been revalued to reflect management's best estimate of the current depreciated replacement cost of those assets
- > The deferred grant historically received by Croydon Tramlink has no intrinsic value to the Group and so has been written down to £nil as a fair value adjustment

The TCL Group's contribution to revenue post acquisition was £13.2m. For the year ended 31 March 2008, TCL Group reported an audited after tax loss of £3.0m. For the period ended 27 June 2008, the unaudited after tax profit was £22.7m.

This profit included an exceptional gain of £25.3m on the waiver of related party loans with TCL's former shareholders.

>Notes to the accounts (continued)

30 Mergers and acquisitions (continued)

c) Crossrail

At 31 March 2008, the Group owned 50 per cent of the shares of Cross London Rail Links Limited (CRL). On 5 December 2008, the remaining 50 per cent interest in CRL was transferred to the Group from the Department for Transport. There was no consideration payable for this transfer. CRL has subsequently changed its name to Crossrail Limited.

Although TfL now controls the day-to-day operations of CRL, the Crossrail project will continue to be funded in part by the Department for Transport and it will continue to be the co-sponsor for the project.

The SORP for local authorities requires that merger accounting be applied because CRL was 100 per cent in public sector ownership before the acquisition. In accordance with FRS 6, the financial information for the current period has been presented, and that for prior periods has been restated, as if CRL had been owned by the Group throughout the current and prior accounting periods.

31 Events after the balance sheet date

On 30 June 2009, London Underground received claims totalling over £400m from Tube Lines Limited, in respect of additional costs incurred for station upgrades and signalling works performed over the first review period of the PPP contract. The Group does not accept liability for the delays and cost overruns. As a consequence the Group intends to defend these claims vigorously.

Due to the complexity of the issues involved, the volume of documentation received, and the lack of time available to consider and investigate the claims prior to finalising these financial statements, the Group has not yet been able to make a reliable estimate of the potential amount of any additional liability. As a result, in accordance with FRS 12, no incremental provisions have been raised and the claims are considered to be contingent liabilities at this stage.

Based on the analysis performed on these claims at the date of signing these financial statements the directors consider that any additional liability is unlikely to be material to the financial statements. It is noted that the majority of the claims are in relation to the cost of fixed assets and so any adjustment would be principally to fixed assets and provisions in the balance sheet.