Transport for
Greater Manchester

TRANSPORT for GREATER MANCHESTER

(formerly known as GREATER MANCHESTER PASSENGER TRANSPORT EXECUTIVE)

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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DIRECTORS' REPORT and EXPLANATORY FOREWORD

Greater Manchester Combined Authority

In 2009 the ten Greater Manchester local authorities agreed to submit a scheme to the Government for the creation of a new authority. The Greater Manchester Combined Authority (GMCA) has been established to co-ordinate transport, regeneration and economic development functions for the Greater Manchester region. The creation of the Combined Authority will see a transfer of powers from central government to Greater Manchester and the new authority will work with Government to manage the devolved powers.

GMCA and the constituent councils have entered into joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions which include the establishment of a joint committee to be called the Transport for Greater Manchester Committee (TfGMC).

As part of this change GMPTE has been renamed Transport for Greater Manchester (TfGM), and has taken on additional functions and responsibilities.

The Greater Manchester Strategy

The vision for TfGM aligns with the Greater Manchester Strategy (GMS) and acknowledges the role that transport has to play on the wider prosperity and well-being of the citizens of Greater Manchester.

"The GMS is based around a series of priorities – eleven in total – which can help us to deliver prosperity for all and a higher level of sustainability and quality of life for the city region. These priorities are not intended to be the only areas of importance for us, but they are the things we wish to tackle to make good on our vision of a long term sustainable economic growth based around a more connected, talented and greener city region where the prosperity secured is enjoyed by the many and not the few."

Our Vision

Our vision encapsulates and expresses our aspirations and reflects the additional responsibilities that the transition to TfGM brings, included highways; traffic control; road safety; and walking and cycling.

"To improve the quality and availability of transport networks and services, supporting the economic prosperity of Greater Manchester by connecting people with employment, education, health and leisure choices in ways that are affordable, accessible and environmentally sustainable"

TfGM Responsibilities

TfGM is responsible for carrying out the transport related functions of the Combined Authority and the Transport for Greater Manchester Committee, including highways, network management, walking and cycling and road safety. However, it is not a statutory highway authority.

A number of Association of Greater Manchester Authorities (AGMA) units have transferred into TfGM. These units are:

- Greater Manchester Urban Traffic Control Unit (GMUTC);
- Greater Manchester Transport Unit (GMTU);
- Greater Manchester Joint Road Safety Group (GMJRSG);
- Greater Manchester Joint Transport Team (GMJTT); and
- the Greater Manchester Integrated Transport Authority (GMITA) Policy Unit.

The key functions of these bodies are, as follows:

- the installation, maintenance and management of traffic signals;
- maintaining highway databases; undertaking surveys; modelling and analysis; and appraisals and advice;

- highway route performance, incident response and event management via the Greater Manchester Traffic Control Centre;
- partnership working to provide a shared strategic road safety analysis and recommendations on interventions; and
- preparation of the Local Transport Plan for approval by the Combined Authority.

The change in name from GMPTE to TfGM is reflected in these Accounts. Where appropriate, references to GMITA have been replaced by TfGMC or GMCA, as applicable.

Basis of preparation of Statement of Accounts

This Statement of Accounts shows the individual financial statements for TfGM as well as group accounts for TfGM and its subsidiary undertakings.

The 2010/11 Statement of Accounts are the first to be prepared under a new accounting regime, following the requirement for all local authorities and public bodies to adopt International Financial Reporting Standards (IFRS) for the period ending 31 March 2011. This replaces the previous regime whereby accounts were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). There are a number of different versions of IFRS, including that used by private sector companies; i-Frem – which is that adopted by the Health Services; and the 'IFRS Based Code' ('the Code') - which is the version of IFRS being used by Local Authorities. Following a lengthy consultation by all Passenger Transport Executives ('PTEs) with the Audit Commission; the Department for Communities and Local Government and the Department for Transport, the PTEs (including TfGM) are implementing IFRS by adopting the IFRS Based Code. Provision for this to be effected was included in the updated Accounts and Audit Regulations 2011.

Adopting the Code brings the accounting practices of the PTEs into line with those used by local authorities, and, in particular, the policies being used by the Integrated Transport Authorities (including GMCA), into whose financial statements the PTEs' accounts are consolidated. There may be certain circumstances in which adopting the provisions of the Code are not appropriate for PTEs. For example, capital accounting for local authorities is guided by a prudential code which does not apply to the PTEs. The updated Accounts and Audit Regulations allow the PTE to diverge from the accounting requirements of the Code if a treatment in the Code is not appropriate to the circumstances of a PTE. It is anticipated that these occasions will be very limited; and any such instances will be disclosed in the Statement of Accounts.

Primary Statements

The Statement of Accounts include the following primary statements; a note on the purpose of each of these statements is also shown below:

Movement in Reserves Statement: shows the year on year movement on different reserves held by TfGM. These are analysed into 'Usable'; being those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and 'Unusable'; where reserves are those that TfGM is not able to use to provide services. The main Unusable Reserve is the Deferred Capital Grants and Contributions Account, which primarily holds the capital grants received by TfGM to fund its capital programme. This reserve is used to fund the future costs of depreciation on the assets delivered by the programme. As at 31 March 2011, TfGM Group Usable reserves were £60.267 million (2010: £43.512 million) and the Unusable reserves were £986.113 million (2010: £614.835 million). The Unusable reserves have increased in 2010/11 as a result of the capital grants received in the year for the significant capital programme which TfGM is currently delivering; and will be used to fund future depreciation on the assets being delivered.

Comprehensive Income and Expenditure Account: shows the accounting receivable income and the costs incurred in the year of providing services. TfGM's Group Comprehensive Income and Expenditure Statement for the year shows a net income of £388.033 million (2010: £95.960 million). The surplus includes capital grants recognised in the year of £317.706 million (2010: £189.503 million), which, following the implementation of International Financial Reporting Standards, are required to be recognised as income in the year they are received, unless there are conditions attached which TfGM has not met. Excluding releases from the Deferred Capital Grants and Contributions Account (to match depreciation and disposal of grant funded assets) and the IAS19 pension adjustments for current service cost, employer contributions and pension finance costs, the net surplus on provision of services is £4.378 million (2010: £10.461 million), which relates to the surplus generated by the operation of Metrolink, which is ring-fenced to fund the costs of the ongoing and future investment in the network; and amounts which have been transferred to reserves to fund the costs of certain future contractual commitments.

Balance Sheet: shows the value as at the balance sheet date of the assets and liabilities recognised by TfGM. The net assets are matched by reserves held, which are analysed into Usable and Unusable Reserves as described above. The net assets at 31 March 2011 were £1,046.380 million (2010: £658.347 million).

Cash Flow Statement: shows the change in cash and cash equivalents of TfGM during the year. The statement shows how TfGM has generated and used cash and cash equivalents; and classifies cashflows into operating, investing and financing activities. The net increase in cash and cash equivalents during the year was £18.573 million (2010: net decrease of £8.949million).

Activities in the year

On 1 April 2011, TfGM's responsibilities widened to include activities connected with the highway network; traffic signals; road safety issues; strategic planning and data collection. For the year under review TfGM's vision and objectives were the same as for the previous year, the vision reflecting the view that public transport contributes to making Greater Manchester a wealthier, healthier and safer place to live, work and visit. This means working to provide the people of Greater Manchester with the best possible public transport network in terms of quality, safety, attractiveness, convenience and accessibility.

- 4,402 of Greater Manchester's bus stops now have shelters; helping to make buses a more attractive option.
- There were 224.1 million bus journeys in 2010/11.
- Train passengers in Greater Manchester made 22.1 million journeys on local services last year.
- On Metrolink, patronage was 19.1 million, following the significant investment in track upgrades and passenger facilities in the last couple of years.
- Metrolink reliability (operated mileage) has remained above 98% throughout the year.
- Bus reliability peaked at 98% during the year and the Public Performance Measure (PPM) for Rail is 94%.

In the past year, several major projects have been completed and the organisation continues to deliver the Metrolink extensions and the other public transport schemes which are part of the Greater Manchester Transport Fund.

The Greater Manchester Transport Fund (GMTF) was created on 12 May 2009, when the AGMA Executive approved its creation. It is designed to support the delivery of a number of public transport schemes. These schemes were the subject of a prioritisation exercise, where all the potential schemes were independently assessed on the basis of their contribution to key economic outcomes, environmental and social objectives. The Transport Fund will finance a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to East Didsbury, Ashton, Oldham and Rochdale town centres, Manchester Airport and a second city centre crossing; development of the Leigh-Salford-Manchester busway; improved interchange facilities at Bolton and Altrincham; and a number of park and ride schemes.

The investments are being funded from a combination of central government funding; 'top slicing' existing Local Transport Plan funding; contributions from local partners; and borrowings, supported by agreed increases in contributions from the levy and from net revenues generated from the public transport schemes being delivered as part of the Transport Fund. Applications for government funding for a scheme to provide the infrastructure to enable a link across the regional centre (the cross city bus package); and for the delivery of a new transport interchange at Rochdale, are currently in progress; and decisions from the Department for Transport are expected during 2011.

DIRECTORS' REPORT and EXPLANATORY FOREWORD

Work on the Metrolink Phase 3a lines to Droylsden in Tameside, Chorlton in Manchester and to Rochdale and Oldham over existing railway lines has continued during the year.

A number of projects have been completed during the year including a new Metrolink stop at MediaCity; the investments to upgrade stops on the Eccles line; park and ride facilities at Navigation Road; and an extension to the existing depot at Queens Road. In addition, work has been ongoing to increase the number of trams. The eight new trams delivered at the end of the previous financial year have been in use throughout the period; and a further forty trams will be delivered by the end of the next financial year. New ticket vending machines have also been installed across the existing network.

Following our success last year in bidding for £3.2 million of funding from the Department for Transport's 'Green Bus Fund'; a further bid was submitted during the year which resulted in £1.6 million of additional funding being secured from a second funding round. Funding from Round 1 was used to replace the fleet of vehicles for Metroshuttle bus services in Manchester City Centre, with a new fleet of 20 environmentally friendly vehicles. These have operated successfully since November 2010. The funding is also being used to provide an additional 39 Yellow School Buses and a further 25 buses which will be operated on the TfGM subsidised bus network. These vehicles are planned to enter service during 2011/12. The further successful bid in the year is being used to part fund the purchase of four vehicles which will be used to introduce a new shuttle service to the MediaCity development; a service which will be operated in partnership with Salford City Council.

TfGM has also continued to support Metroshuttle services in Bolton and Stockport.

TfGM is working on the delivery of a smartcard ticketing system which will initially be launched on Metrolink; and subsequently on the bus and rail networks, subject to the availability of funding.

The reductions made to public sector funding, which have significantly impacted the ten districts of Greater Manchester who provide the transport levy (the main source of revenue funding for TfGM), have also impacted TfGM in terms of a reduction in the level of core funding for 2011/12. To align costs with income and to meet the challenges of lower funding, TfGM has implemented a number of cost saving initiatives for 2011/12. These are in addition to the efficiencies which have already been delivered in recent years.

Our Organisational Effectiveness programme has continued through the year and will continue on an ongoing basis.

Pensions

The Accounts reflect the outcome of the annual actuarial valuation for accounting purposes of TfGM's pension fund assets and liabilities. There have been a number of significant movements in assets and liabilities relating to the fund in the year, in particular including:

- An increase in asset values of £34.2 million;
- A reduction in the scheme liabilities of £28.3 million due to the change from RPI to CPI as the basis of calculating future pension increases; and
- A reduction in the scheme liabilities of £12.2 million due to changes in other assumptions used in valuing liabilities including particularly the change in the real discount rate.

DIRECTORS' REPORT and EXPLANATORY FOREWORD

Members of TfGM

The Directors of TfGM who held offices of statutory members during the year, in accordance with Section 9 (2) of the Transport Act 1968, were as follows:

D Leather	- Chief Executive Officer (on secondment from Ernst & Young LLP)
MCR Renshaw	- Bus and Rail Director
SG Warrener	- Finance & Corporate Services Director
C Ainscow	- Non Executive Director (resigned June 2010)
Sir H Bernstein	- Non Executive Director
K Giles	- Non Executive Director

In addition to the Statutory Members above, the following individuals held non statutory Director roles during the year:

P Purdy	- Metrolink Director
D Hytch	- Information Systems Director
R Morris	- Interim Chief Operating Officer (on secondment from Parsons Brinkerhoff)
D Newton	- Transport Strategy Director (appointed April 2010)
S Wildman	- Communications and Customer Services Director

Disabled employees

TfGM gives full consideration to applications for employment from disabled persons where the requirements of the job can be fulfilled by a disabled person. Where existing employees become disabled, it is TfGM's policy, wherever practicable, to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee Involvement

TfGM's management meet regularly to discuss current developments with employee representatives.

Grants

TfGM's net expenditure, after taking into account all sources of income and expenditure, is financed primarily by way of a revenue grant from the Greater Manchester Integrated Transport Authority (GMITA) (from 1 April 2011, GMCA). GMITA (GMCA in the future) makes a levy on the ten district councils in Greater Manchester to meet its own expenditure which includes the revenue grant to TfGM. GMITA (GMCA) also receives special rail grants and bus grants from central government to fund TfGM's rail franchise payments and to improve bus services in rural areas and in the most deprived urban areas. During the previous year, GMITA received grants from central government in support of the bid to the Government's Transport Innovation Fund. Capital grants are also receivable from GMITA in respect of approved expenditure on capital schemes.

The grants receivable from GMITA were as follows:

	Group and TfGM	
	2011	**2010**
	£000	**£000**
Revenue Grants	133,659	139,460
Special Rail Grants	79,909	79,862
Area Based Grants – Bus schemes	337	414
English National Concessionary Travel Scheme Grant	11,065	10,768
Other government grants	-	556
	224,970	**231,060**
Passenger Transport Facilities	**8,134**	**38,811**
Capital Grants	**309,913**	**173,113**
Total grants receivable	**543,017**	**442,984**

SG WARRENER
Director

MCR RENSHAW
Director

28 July 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

TfGM's Responsibilities

TfGM is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Finance and Corporate Services Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance and Corporate Services Director's Responsibilities

The Finance and Corporate Services Director is responsible for the preparation of TfGM's Statement of Accounts, in accordance with proper practices as set out in CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (The Code).

In preparing this Statement of Accounts, the Finance and Corporate Services Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with The Code, so far as was appropriate for a Passenger Transport Executive.

The Finance and Corporate Services Director has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of TfGM as at 31 March 2011 and, of its income and expenditure for the year ended 31 March 2011

SG WARRENER
Finance and Corporate Services Director

28 July 2011

ANNUAL GOVERNANCE STATEMENT

1. Introduction

The TfGM Annual Governance Statement forms part of TfGM's Governance Framework and results from the requirement to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement which forms part of the Annual Accounts. Governance has been defined as being 'about how bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner' and this statement shows how effective TfGM's governance systems and processes are.

2. Scope of responsibility

In 2009, the ten Greater Manchester local authorities agreed to submit a scheme to the Government for the creation of a new authority. The Greater Manchester Combined Authority (GMCA) has been established to co-ordinate transport, regeneration and economic development functions for the Greater Manchester region. The creation of the Combined Authority will see a transfer of powers from central government to Greater Manchester and the new authority will work with Government to manage the devolved powers.

GMCA and the constituent councils have entered into joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions which include the establishment of a joint committee to be called the Transport for Greater Manchester Committee.

As part of this change GMPTE has been renamed Transport for Greater Manchester (TfGM), and has taken on additional functions and responsibilities.

In fulfilling this role TfGM is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Whilst TfGM does not have a duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

TfGM has followed the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* in preparing this statement. This Statement explains how TfGM has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, which require TfGM to publish a statement on internal control, as defined in the Annual Governance Statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and the culture and values, by which TfGM is directed and controlled, the activities through which it is made accountable to, engages with, and supports the community. The Framework enables TfGM to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance and not absolute assurance of effectiveness. Internal control is an ongoing process, designed to identify and prioritise the risks to the achievement of TfGM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

ANNUAL GOVERNANCE STATEMENT

Review of Governance Arrangements

The function of governance is to ensure that an organisation fulfils its purpose and achieves the intended outcomes for its end users, and to ensure that it operates in an effective, economic and ethical manner.

An important element of governance is the internal control environment that includes TfGM's policies, procedures and operations that are in place to:

- establish and monitor the achievement of TfGM's objectives;
- identify, assess and manage risks to achieving these objectives;
- facilitate policy and decision making;
- ensure value for money;
- ensure compliance with established policies (including ethical expectations), procedures, laws and regulations;
- safeguard our assets and interests from losses such as those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data including internal and external reporting and accountability processes.

3. Key Principles of Governance

Principle 1: Focusing on the purpose of TfGM and on outcomes for the community and on creating and implementing a vision for the local area

TfGM is responsible for implementing the transport and traffic functions of the Combined Authority. The Vision of TfGM is 'To improve the quality and availability of transport networks and services, supporting the economic prosperity of Greater Manchester by connecting people with employment, education, health and leisure choices in ways that are affordable, accessible and environmentally sustainable.'

The Vision lays the foundations for, and underpins TFGM's strategic objectives and its Key Business Priorities. The vision is also captured and communicated internally in TFGM's values: Delivery, Partnership, Ambition, Respect and Responsibility.

A few of the key areas of activity undertaken in the year ended 31 March 2011 include:

- *Expanding and modernising the Metrolink network:* building new lines to Oldham and Rochdale, Chorlton, MediaCityUk and Droylsden; investing in the upgrade of stops in the city centre and on the Eccles lines; improving passenger facilities and introducing new trams to increase capacity.
- *Supporting and enhancing bus travel:* building and maintaining bus stations, stops and 4,402 bus shelters; providing Local Link services; introducing new environmentally friendly vehicles onto the city centre Metroshuttle services; and investing over £38 million in supporting bus services for the benefits of passengers across the region.
- *Working in partnership to deliver better rail services:* providing additional car parking facilities and spaces; station improvements to existing passenger security and information systems including at Heald Green, Gatley, East Didsbury, Levenshulme, Mills Hill, Davenport, Littleborough, Urmston, Bryn and Horwich.
- *Delivering for Greater Manchester:* using transport to help support and create jobs; adding to the economic growth of our region; providing accessible, affordable and quality public transport; designing a transport strategy for the 21st century and developing innovative solutions for delivering public transport.
- *Providing quality services for our passengers*: issuing concessionary passes to the over 60's, children and people with disabilities; transporting more than 2,200 children to and from schools on a fleet of Yellow School Buses; providing Ring and Ride services, the Travel Voucher scheme and Traveline.
- *Delivering the Greater Manchester Transport Fund:* which will provide further extensions to Metrolink; new transport interchanges; new bus priority measures; more park and ride facilities; station and stop upgrades; and delivering environmental improvements to secure maximum economic benefit for Greater Manchester.

- *Producing the third Local Transport Plan (LTP3):* LTP3 is the strategic document which sets out the region's priorities in terms of its transport plans for the next 10 years. The preparation of the Plan has involved significant consultation both with the public and many other organisations including the ten Districts of Greater Manchester; bus and rail operators; and other key stakeholder groups. The plan was published early on 31 March 2011 following a significant programme of work and public consultation by TfGM throughout 2010/11.

Whilst TfGM does not have a statutory duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, with particular emphasis placed on achieving value for money. The organisation continues to ensure that its governance and processes are fit for purpose to reflect delivery and service quality priorities and to meet the challenges of the operating environment.

The Environmental Policy states that "TfGM aims to enable the local public transport network and the TfGMC and TfGM in their own activities, to contribute to sustainable development, a cleaner local environment and assist in tackling climate change". During 2010/11 TfGM has:

- retained certification to Environmental Management System ISO 14001;
- introduced environmentally friendly hybrid diesel vehicles to the city centre Metroshuttle service; part of an investment programme which will deliver 88 'green' buses into the wider network by March 2012, supported in part by grant funding by the Department for Transport;
- delivered internal environmental training, including induction for new starters and regular meetings of a 'Green Action Team'; and
- while working on the new Metrolink lines and on other capital schemes, liaised closely with stakeholders to protect wildlife and vegetation by carrying out ecological surveys and clearing the routes carefully.

Principle 2: Working together to achieve a common purpose with clearly defined functions and roles

The leadership and decision making functions within TfGM are exercised by the Executive Board and Executive Group whose responsibilities are set out in TfGM's Governance framework and Constitution. The Executive Board is the ultimate decision making body within TfGM and is responsible for determining strategic issues and policy on the exercise of its powers and the conduct of its business. The Constitution specifies the particular functions of the Executive Board which may not be delegated. Day to day management of TfGM is delegated to the Executive Group.

The Executive Group's core functions are to:

- co-ordinate TfGM's business planning and performance management processes;
- be responsible for all financial, budgetary and procurement matters;
- approve corporate policies; and
- formulate, for approval by the Executive Board, TfGM's input to the Local Transport Plan and other relevant documents.

TfGM's Scheme of Delegation sets out details on levels of authority to approve expenditure. These have been communicated to all staff.

In determining a Scheme of Delegation, TfGM has reserved powers within its Constitution in respect of those matters reserved for collective decision making. Officers in exercise of delegated powers under the Scheme of Delegation must ensure decisions are taken in accordance with legal requirements; the provisions of the Constitution; capital and revenue budgets; and established policies, plans and procedures.

A Board Sub-Committee, composed of the Chief Executive Officer, a Non-Executive Director, the Director of Finance and Corporate Services and the Head of Human Resources has delegated responsibility from the Board to oversee all matters relating to the remuneration and terms and conditions of TfGM employees.

All staff, including senior management, have clear conditions of employment and job profiles which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Head of Human Resources.

The Solicitor and Secretary carries out the statutory functions of the Monitoring Officer with overall responsibility for legal issues. The staff of the Solicitor and Secretary work closely with elected members and TfGM staff to provide advice where appropriate. All reports to the Executive Board and Executive Group include details of any legal considerations or implications.

The Director of Finance and Corporate Services has overall responsibility for financial issues and all reports to the Executive Board, Executive Group, and Programme and Project Boards, include details of any financial implications.

Principle 3: Promoting values for TfGM and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Executive Board is fully committed, through its policies and actions, to maintaining high standards of conduct and behaviour and to promoting a culture in which these can be openly practised. Work is continuing to promote and embed our Values in the day to day business of TfGM. Work is also continuing to put in place mechanisms to measure the effectiveness of the organisational Values.

The five corporate Values (Delivery, Partnership, Ambition, Respect and Responsibility) underpin the TfGM vision. To raise and maintain awareness and ultimately to embed these Values, staff briefings are regularly held; lunchtime seminars conducted; regular e-mail communications sent; and an intranet microsite has been established. Values are also re-iterated in key corporate documents, including the Business Plan, and underpin the performance management and business planning processes.

TfGM takes fraud, corruption and maladministration very seriously and has a Counter Fraud and Corruption Policy in place, which includes:

- a fraud response plan;
- a whistleblowing policy; and
- theft response procedures.

In addition, an Anti-Money Laundering Policy and supporting procedures were approved by the Executive Group in 2010/11 and form part of the counter fraud framework, sitting alongside the Counter Fraud and Corruption Policy.

An updated corporate Code of Conduct was approved in the year which sets out expected standards of behaviours in a number of areas.

TfGM participates in the National Fraud Initiative programme which is operated by the Audit Commission.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution documents procedures including financial regulations and procurement rules. This is compliant with the duties and responsibilities of TfGM provided under the Transport Acts 1968, 1983, 1985 and 2000, the Local Government Act 1972, the Transport Works Act 1992 and the Greater Manchester Combined Authority Order 2011.

TfGM is responsible for the delivery of GMCA's and TfGMC's policies for transport and transport choices. Responsibilities for decision-making are clearly identified in the GMCA Constitution.

Effective scrutiny of decisions and business performance is provided in a number of ways. Minutes of the business of the Executive Group are considered by the Executive Board. The Board includes two non-executive directors to provide independent challenge and scrutinise both proposed decisions and the performance of TfGM Directorates.

An Executive Programme Board and a number of Programme and Projects Boards meet at least monthly to review and sanction the development and implementation of all programmes and projects.

Performance updates are reported to the Board monthly. Performance updates are also presented to the TfGMC four times a year.

The proceedings of the Executive Board and Executive Group, and the decisions taken are formally minuted. The minutes are signed by the Chief Executive Officer and approved by the Board. Mechanisms are in place to ensure that any conflicts of interest are declared and recorded.

In addition TfGM has an Audit Committee, which meets at least quarterly, chaired by a non-executive director of the Executive Board, to support the Board in discharging its responsibilities with regard to risk, control and governance and associated assurance. In particular, the Audit Committee advises TfGM Board on:

- the overall adequacy and effectiveness of the strategic processes for risk management, internal control and the Annual Governance Statement;
- the robustness of financial controls, including the financial reporting process, accounting policies, the Annual Report and Accounts of TfGM, to ensure that published financial information has integrity, is well balanced, and transparent; and also the extent to which assets are safeguarded against fraud and irregularity;
- the adequacy of management responses to recommendations made by the internal and external auditors in their reports;
- progress against planned activity and results of both internal and external audit work; and
- the assurances obtained regarding the adequacy and effectiveness of TFGM's arrangements to satisfy the requirements of the CIPFA/SOLACE framework of corporate governance.

The Audit Committee was initially constituted in 2005, and its terms of reference were reviewed in 2008/09 and again in 2009/10. This further clarified the Committee's role and amended its membership to comprise one Non-Executive Member of the Board and two independent members (one role is currently vacant) with Directors, and other Board Members and managers to attend, if required, at the invitation of the Chair.

As part of TfGM's corporate governance framework, the Audit Committee has overall responsibility for the risk management framework and for providing the Board with assurance that the risk management process in place is effective. The Audit Committee ensures quarterly oversight and review of the framework. Progress updates on risk management activities and any changes to the strategic risk profile are presented to each meeting of the Audit Committee.

Continued overview and oversight of the risk management framework is also provided across the organisation by Directorate Risk Champions and senior management; and the Executive Group are actively involved in the management and ownership of risk, in accordance with TfGM's Risk Management Strategy.

TfGM's risk management system continues to support the risk management process, acting as a central database for risk information and providing the functionality to run quantitative risk analysis. Robust and established risk processes are in place to ensure that risks at all levels (Strategic, Directorate, Project and Programme) are well managed. Each risk is assigned an owner and actions designed to mitigate each risk are also assigned owners. Risks are regularly reviewed and reported in line with the TfGM Risk Management Strategy. This includes monthly reporting to Programme Boards and Executive Board. In addition, risk is explicitly considered in all reports presented to the Executive Board, Executive Group and Programme and Project Boards. Arrangements for the management of project and programme risks are also embedded in project and programme procedures.

Principle 5: Developing the capacity and capability of members and officers to be effective

Effective local government relies on public confidence in organisations and their officers. Good governance strengthens credibility and confidence in public services. Public Bodies need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding and TfGM needs people with the right skills to direct and control them effectively. In addition, governance is strengthened by the participation of people with many different types of knowledge.

The Human Resources department provides a corporate induction programme to all new starters. The induction process includes elements relating to Internal Audit, risk management and counter fraud and corruption.

Learning and Development requirements are captured as part of the Performance Review process. Personal Development plans are developed and training is provided primarily in-house or, if required, and subject to value for money criteria being met, through external training organisations.

TfGM has a Competency Framework in place, in which staff assess themselves against core and other key (behavioural, technical, managerial etc.) competencies. As part of its continuing development, this Framework was updated and reviewed in 2010/11 with particular emphasis on updating and refining core competencies. Any skills gaps identified are incorporated into Learning and Development plans which are developed for all staff members.

All staff have job profiles which clearly set out their roles and responsibilities. Job profiles are prepared in advance of the recruitment and selection process and assist TfGM in ensuring that all staff possess the necessary skills to undertake their roles.

The performance review process is supported by an online Performance Review Portal system which links directly to competency assessments for all staff and personal development plans.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

TfGM carries out a range of engagement and consultation activities with residents and other stakeholders, such as transport operators, throughout the year, including, for example, six-monthly tracking surveys to identify transport priorities as well as specific consultation on new schemes.

TfGM's aim is to keep its various stakeholders informed and updated in relation to all aspects of Metrolink and other expansion and improvement projects, helping to maximise support through a structured programme of transparent 'no surprises' communications activity and community engagement. This involves consulting with key stakeholders in local communities and public bodies including passengers; schools; local and national political groups; emergency services; disability groups; other public transport providers; environmental groups and the media.

TfGM engages with these groups in a variety of ways in order to meet both the circumstances of the projects and the needs of the stakeholders. This includes engagement by means of meetings; drop in session at local venues; letter drops; newsletters; home/workplace visits: presentations and news releases.

As part of developing LTP3, a significant programme of consultation with the public and stakeholder groups was undertaken in 2010/11. This produced over 900 responses which were taken into account in developing the final LTP3 strategy document.

4. Review of Effectiveness

TfGM is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is a responsibility administered by the Audit Committee and informed by the work of the Head of Audit and Assurance's annual report, and also by comments made by the external auditors and other assurance providers.

Audit Committee

The Audit Committee is responsible for reviewing the activity of internal and external audit in providing assurance over the effectiveness of internal controls.

Assurance and internal audit

The Audit and Assurance Department delivers an internal audit service that objectively examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The function operates in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of Audit and Assurance is informed by an analysis of the risks to which TfGM is exposed and annual audit plans are informed and developed from this analysis. The Head of Audit and Assurance agrees the Annual Audit Plan with, and reports to, the Audit Committee and has access to all Executive Officers and Members.

The function is augmented by a Programme Assurance Delivery Partner, whose remit is to assess the quality of project and programme management processes and procedures and to act as a further line of defence in ensuring effective procedures, processes and controls are in place for the management of capital and non-capital projects and programmes.

External audit

The external auditors will issue the following reports in respect of 2010/11:

- Annual Governance Report;
- Audit opinion;
- Value for Money Conclusion; and
- Annual Audit Letter.

Financial control assurance

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within TfGM. In particular, the system includes:

- comprehensive budgeting and forecasting systems;
- regular reviews of periodic and annual financial reports which compare financial performance against the budget and forecasts;
- setting targets to measure financial and other performance;
- clearly-defined capital expenditure guidelines; and
- formal programme and project management disciplines.

5. Significant Governance developments

TfGM is committed to a culture of continuous improvement and ensuring value for money. The Annual Governance Statement identifies areas where improvements have been made. As part of the drive for continuous improvement and value for money TfGM will need to continue to focus its efforts on these and other areas during 2011/12. The Audit Committee and TfGM Board will closely monitor these improvements.

Resource management

Modifications continue to be made to the organisational structure of TfGM, ensuring we have an appropriate structure and processes in place to deliver our commitments efficiently and effectively.

Risk management

Risk management focuses on managing threats and opportunities; and creating an environment of 'no surprises'. It focuses on managing and mitigating risk without stifling innovation. TfGM is continually improving its risk management system to ensure that it remains robust and supports delivery of the organisation's objectives. Some of the key developments in 2010/11 include:

- The launch of an enhanced Risk Management Policy and Strategy, incorporating improvements to the framework and clearly defining roles and responsibilities of all staff;
- Implementation of a new tiered-scoring framework across the whole organisation, refining the process of risk assessment and mitigation planning;
- Further integration of risk management in the budget and business planning process;
- Improving staff awareness and understanding of risk management through a range of communications and learning and development activities;
- Establishing an enhanced Corporate Risk Management function, with a permanent Risk Manager role and direct reporting line maintained to the Finance and Corporate Services Director;
- Improving consistency through standardised risk procedures; and
- Continued and improved reporting to Audit Committee, Programme Boards and Executive Board.

Further work to embed risk management and improve the risk maturity across the organisation will continue during 2011/12.

Cost Management

The budget for 2011/12 incorporates a number of challenging targeted savings. These will be monitored and reported to the Executive Board on a regular basis.

Governance Framework

TfGM's governance framework brings together:

- the requirements of the TfGM Constitution;
- the internal TfGM assurance process, including via the various Programme and Project Boards; and
- the day-to-day management of the organisation's operations.

The effectiveness of these arrangements will continue to be monitored and reviewed, as necessary, during 2011/12.

6. Conclusion

On the basis of the review of the sources of assurance set out in this statement, the Directors are satisfied that, throughout the year and up to the date of the approval of the accounts, TfGM had in place satisfactory systems of internal control which facilitate the effective exercise of the organisation's functions.

SG WARRENER	MCR RENSHAW
Director	*Director*

28 July 2011

INDEPENDENT AUDITOR'S REPORT TO TRANSPORT FOR GREATER MANCHESTER

Opinion on the Executive and Group accounting statements

I have audited the Executive and Group accounting statements of Greater Manchester Passenger Transport Executive for the year ended 31 March 2011 under the Audit Commission Act 1998. The Executive and Group accounting statements comprise the Executive and Group Movement in Reserves Statement, the Executive and Group Comprehensive Income and Expenditure Statement, the Executive and Group Balance Sheet, the Executive and Group Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Directors of Transport for Greater Manchester in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the Executive and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Executive and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive and Group; and the overall presentation of the accounting statements. I read all the information in the Directors' Report and Explanatory Foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Greater Manchester Passenger Transport Executive's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of the Group's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the Directors' Report and Explanatory Foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

INDEPENDENT AUDITOR’S REPORT TO TRANSPORT FOR GREATER MANCHESTER(continued)

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

Executive’s responsibilities

The Executive 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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Executive has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Executive has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Executive’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Executive had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit commission in October 2010, I am satisfied that, in all significant respects, Greater Manchester Passenger Transport Executive put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Executive and Group accounts of Greater Manchester Passenger Transport Executive in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mick Waite
District Auditor
Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

29 July 2011

MOVEMENT IN RESERVES STATEMENTS for the year ended 31 March 2011

The Movement in Reserves Statements show the movement in the year on the different reserves held by TfGM, analysed into 'usable reserves' (i.e. those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves',which include reserves that hold unrealised gains and losses; and reserves that hold timing differences (for example the Deferred Capital Grants and Contributions Account). The 'net surplus for the year' after tax represents the economic cost of providing TfGM's services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Group

	Usable Reserves				Unusable Reserves					Total Reserves
	Revenue Reserves £000	Unapplied Revenue Grants and Contributions Account £000	Unapplied Capital Grants and Contributions Account £000	Total Usable Reserves £000	Capital Reserves £000	Pension Reserve £000	De-regulation Reserve £000	Deferred Capital Grants and Contributions Account £000	Total Unusable Reserves £000	£000
At 31 March 2009	**25,608**	**-**	**-**	**25,608**	**4,013**	**41,500**	**(55,636)**	**546,902**	**536,779**	**562,387**
Surplus on provision of services	173,560	-	-	173,560	-	-	-	-	-	173,560
Other comprehensive income and expenditure	(77,600)	-	-	(77,600)	-	-	-	-	-	(77,600)
Comprehensive income and expenditure	95,960	-	-	95,960	-	-	-	-	-	95,960
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	15,463	-	-	15,463	-	-	-	(15,463)	(15,463)	-
Capital grants released (disposals)	6,824	-	-	6,824	-	-	-	(6,824)	(6,824)	-
Capital grants transferred from passenger transport facilities	517	-	-	517	-	-	-	(517)	(517)	-
Capital grants unapplied / applied	(189,503)	-	8,543	(180,960)	-	-	-	180,960	180,960	-
Pension contributions by employer	(2,400)	-	-	(2,400)	-	2,400	-	-	2,400	-
Pension cost of service	1,800	-	-	1,800	-	(1,800)	-	-	(1,800)	-
Pension finance costs	4,200	-	-	4,200	-	(4,200)	-	-	(4,200)	-
Actuarial gains and losses on pension assets and liabilities	77,600	-	-	77,600	-	(77,600)	-	-	(77,600)	-
	(85,499)	-	8,543	(76,956)	-	(81,200)	-	158,156	76,956	-
Transfers to / from earmarked reserves										
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2009/10	9,361	-	8,543	17,904	-	(81,200)	1,100	158,156	78,056	95,960
At 31 March 2010	**34,969**	**-**	**8,543**	**43,512**	**4,013**	**(39,700)**	**(54,536)**	**705,058**	**614,835**	**658,347**
Surplus on provision of services	338,433	-	-	338,433	-	-	-	-	-	338,433
Other comprehensive income and expenditure	49,600	-	-	49,600	-	-	-	-	-	49,600
Comprehensive income and expenditure	388,033	-	-	388,033	-	-	-	-	-	388,033
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	16,260	-	-	16,260	-	-	-	(16,260)	(16,260)	-
Capital grants released (disposals)	2,491	-	-	2,491	-	-	-	(2,491)	(2,491)	-
Capital grants unapplied / applied	(317,706)	-	3,477	(314,229)	-	-	-	314,229	314,229	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Pension contributions by employer	(2,500)	-	-	(2,500)	-	2,500	-	-	2,500	-
Pension cost of service	(24,900)	-	-	(24,900)	-	24,900	-	-	24,900	-
Pension finance costs	2,300	-	-	2,300	-	(2,300)	-	-	(2,300)	-
Actuarial gains and losses on pension assets and liabilities	(49,600)	-	-	(49,600)	-	49,600	-	-	49,600	-
	(383,655)	10,000	3,477	(370,178)	-	74,700	-	295,478	370,178	-
Transfers to / from earmarked reserves										
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2010/11	3,278	10,000	3,477	16,755	-	74,700	1,100	295,478	371,278	388,033
At 31 March 2011	**38,247**	**10,000**	**12,020**	**60,267**	**4,013**	**35,000**	**(53,436)**	**1,000,536**	**986,113**	**1,046,380**

The notes from page 27 onwards form part of these accounts.

MOVEMENT IN RESERVES STATEMENTS for the year ended 31 March 2011

TfGM	Usable Reserves				Unusable Reserves					Total Reserves
	Revenue Reserves £000	Unapplied Revenue Grants and Contributions Account £000	Unapplied Capital Grants and Contributions Account £000	Total Usable Reserves £000	Corporate Capital £000	Pension Reserve £000	De-regulation Reserve £000	Deferred Capital Grants and Contributions Account £000	Total Unusable Reserves £000	£000
At 31 March 2009	**25,925**	**-**	**-**	**25,925**	**2,461**	**41,500**	**(55,636)**	**546,902**	**535,227**	**561,152**
Surplus on provision of services	173,579	-	-	173,579	-	-	-	-	-	173,579
Other comprehensive income and expenditure	(77,600)	-	-	(77,600)	-	-	-	-	-	(77,600)
Comprehensive income and expenditure	95,979	-	-	95,979	-	-	-	-	-	95,979
Adjustments between accounting basis and funding basis under regulations			-	-						
Capital grants released (amortisation)	15,463	-	-	15,463	-	-	-	(15,463)	(15,463)	-
Capital grants released (disposals)	6,824	-	-	6,824	-	-	-	(6,824)	(6,824)	-
Capital grants transferred from passenger transport facilities	517	-	-	517	-	-	-	(517)	(517)	-
Capital grants applied	(189,503)	-	8,543	(180,960)	-	-	-	180,960	180,960	-
Pension contributions by employer	(2,400)	-	-	(2,400)	-	2,400	-	-	2,400	-
Pension cost of service	1,800	-	-	1,800	-	(1,800)	-	-	(1,800)	-
Pension finance costs	4,200	-	-	4,200	-	(4,200)	-	-	(4,200)	-
Actuarial gains and losses on pension assets and liabilities	77,600	-	-	77,600	-	(77,600)	-	-	(77,600)	-
	(85,499)	-	8,543	(76,956)	-	(81,200)	-	158,156	76,956	-
Transfers to / from earmarked reserves			-							
Transfer to Deregulation Reserve	(1,100)	-		(1,100)	-	-	1,100	-	1,100	-
Increase / decrease in 2009/10	9,380	-	8,543	17,923	-	(81,200)	1,100	158,156	78,056	95,979
At 31 March 2010	**35,305**	**-**	**8,543**	**43,848**	**2,461**	**(39,700)**	**(54,536)**	**705,058**	**613,283**	**657,131**
Surplus on provision of services	338,476	-	-	338,476	-	-	-	-	-	338,476
Other comprehensive income and expenditure	49,600	-	-	49,600	-	-	-	-	-	49,600
Comprehensive income and expenditure	388,076	-	-	388,076	-	-	-	-	-	388,076
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	16,260	-	-	16,260	-	-	-	(16,260)	(16,260)	-
Capital grants released (disposals)	2,491	-	-	2,491	-	-	-	(2,491)	(2,491)	-
Capital grants applied	(317,706)	-	3,477	(314,229)	-	-	-	314,229	314,229	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Pension contributions by employer	(2,500)	-	-	(2,500)	-	2,500	-	-	2,500	-
Pension cost of service	(24,900)	-	-	(24,900)	-	24,900	-	-	24,900	-
Pension finance costs	2,300	-	-	2,300	-	(2,300)	-	-	(2,300)	-
Actuarial gains and losses on pension assets and liabilities	(49,600)	-	-	(49,600)	-	49,600	-	-	49,600	-
	(383,655)	10,000	3,477-	(370,178)	-	74,700	-	295,478	370,178	-
Transfers to / from earmarked reserves										
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / decrease in 2010/11	3,321	10,000	3,477	16,798	-	74,700	1,100	295,478	371,278	388,076
At 31 March 2011	**38,626**	**10,000**	**12,020**	**60,646**	**2,461**	**35,000**	**(53,436)**	**1,000,536**	**984,561**	**1,045,207**

The notes from page 27 onwards form part of these accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENTS for the year ended 31 March 2011

The Comprehensive Income and Expenditure Statements show the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Group

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		Notes	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
			Highway and transport costs				
(78,676)	79,862	1,186	Rail franchise		(78,695)	79,909	1,214
(62,244)	10,768	(51,476)	Concessionary fare scheme		(66,242)	11,065	(55,177)
(37,424)	6,328	(31,096)	Supported bus services		(38,076)	7,494	(30,582)
(28,975)	19,232	(9,743)	Metrolink		(31,955)	23,171	(8,784)
(6,366)	-	(6,366)	Accessible transport		(6,068)	-	(6,068)
(38,811)	38,811	-	Provision of third party passenger transport facilities		(8,134)	8,134	-
(43,413)	10,751	(32,662)	Operational costs		(47,612)	9,983	(37,629)
(295,909)	165,752	(130,157)			(276,782)	139,756	(137,026)
(6,631)	-	(6,631)	Corporate and democratic core costs		(5,435)	-	(5,435)
(43)	-	(43)	Non distributed costs		(43)	-	(43)
-	-	-	Exceptional pension fund past service gain	20	28,300	-	28,300
(302,583)	165,752	(136,831)	**Cost of services**	5	(253,960)	139,756	(114,204)
			Non-specific grant income				
-	139,497	139,497	Revenue grant	5	-	144,343	144,343
-	189,503	189,503	Capital grants and contributions		-	317,706	317,706
			Other operating expenditure				
(6,903)	-	(6,903)	Losses on disposal of non-current assets	7,9e	(2,756)	-	(2,756)
(11,711)	5	(11,706)	Financing and investment income and expenditure	6	(6,659)	3	(6,656)
(321,197)	494,757	173,560	**Group surplus on provision of services**		(263,375)	601,808	338,433
		-	Taxation charge for the year				-
		173,560	**Group surplus for the year after taxation**				338,433
		(77,600)	Actuarial gains/(losses) on pension assets and liabilities	20			49,600
		(77,600)	**Other comprehensive income and expenditure**				49,600
		95,960	**Total comprehensive income and expenditure**				388,033

All amounts relate to continuing operations. The notes from page 27 onwards form part of these accounts.

A statement is provided below by way of explanation of the total comprehensive income and expenditure reported under the IFRS Code and the actual revenue surplus retained by the group on the basis previously reported under UK GAAP. This information is disclosed in the movement in reserves statement and is noted here as an aid in interpreting the above information.

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
	95,960	**Total comprehensive income and expenditure shown above**		388,033
		Add back: IAS19 Pension adjustments		
77,600		Actuarial (gains)/losses	(49,600)	
1,800		Current service cost and losses on curtailments and settlements	3,400	
-		Past service gain	(28,300)	
(2,400)		Employer contributions	(2,500)	
4,200		Finance costs of pension scheme	2,300	
	81,200			(74,700)
	177,160			313,333
	-	Less: Unapplied revenue contribution		(10,000)
	(189,503)	Less: Capital grants and contributions		(317,706)
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
15,463		Amount to match depreciation of grant funded assets	16,260	
6,824		Amount released on disposal of grant funded assets	2,491	
517		Other amounts released	-	
	22,804			18,751
	10,461			4,378
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,100)
	9,361	**Revenue surplus for the year after revaluation of investment properties**		3,278
	96	Add back: Loss arising on revaluation of investment properties		101
	9,457	**Revenue surplus for the year before revaluation of investment properties**		3,379

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENTS for the year ended 31 March 2011

TfGM

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		Notes	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
			Highway and transport costs				
(78,676)	79,862	1,186	Rail franchise		(78,695)	79,909	1,214
(62,244)	10,768	(51,476)	Concessionary fare scheme		(66,242)	11,065	(55,177)
(37,424)	6,328	(31,096)	Supported bus services		(38,076)	7,494	(30,582)
(28,975)	19,232	(9,743)	Metrolink		(31,955)	23,171	(8,784)
(6,366)	-	(6,366)	Accessible transport		(6,068)	-	(6,068)
(38,811)	38,811	-	Provision of third party passenger transport facilities		(8,134)	8,134	-
(43,106)	10,469	(32,637)	Operational costs		(47,358)	9,625	(37,733)
(295,602)	165,470	(130,132)			(276,528)	139,398	(137,130)
(6,631)	-	(6,631)	Corporate and democratic core costs		(5,435)	-	(5,435)
(43)	-	(43)	Non distributed costs		(43)	-	(43)
-	-	-	Exceptional pension fund past service gain	20	28,300	-	28,300
(302,276)	165,470	(136,806)	**Cost of services**	5	(253,706)	139,398	(114,308)
			Non-specific grant income				
-	139,497	139,497	Revenue grant	5	-	144,343	144,343
-	189,503	189,503	Capital grants and contributions		-	317,706	317,706
			Other operating expenditure				
(7,555)	-	(7,555)	Losses on disposal of non-current assets	7,9e	(2,756)	-	(2,756)
(11,615)	555	(11,060)	Financing and investment income and expenditure	6	(6,558)	49	(6,509)
(321,446)	495,025	173,579	**Surplus on provision of services**		(263,020)	601,496	338,476
		-	Taxation charge for the year				-
		173,579	**Surplus for the year after taxation**				338,476
		(77,600)	Actuarial gains/(losses) on pension assets and liabilities	20			49,600
		(77,600)	**Other comprehensive income and expenditure**				49,600
		95,979	**Total comprehensive income and expenditure**				388,076

All amounts relate to continuing operations. The notes from page 27 onwards form part of these accounts.

A statement is provided below by way of explanation of the total comprehensive income and expenditure reported under the IFRS Code and the actual revenue surplus retained by the organisation on the basis previously reported under UK GAAP. This information is disclosed in the movement in reserves statement and is noted here as an aid in interpreting the above information.

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
	95,979	**Total comprehensive income and expenditure**		388,076
		Add back: IAS19 Pension adjustments		
77,600		Actuarial (gains)/losses	(49,600)	
1,800		Current service cost and losses on curtailments and settlements	3,400	
-		Past service gain	(28,300)	
(2,400)		Employer contributions	(2,500)	
4,200		Finance costs of pension scheme	2,300	
	81,200			(74,700)
	177,179			313,376
	-	Less: Unapplied revenue contribution		(10,000)
	(189,503)	Less: Capital grants and contributions		(317,706)
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
15,463		Amount to match depreciation of grant funded assets	16,260	
6,824		Amount released on disposal of grant funded assets	2,491	
517		Other amounts released	-	
	22,804			18,751
	10,480			4,421
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,100)
	9,380	**Revenue surplus for the year under UK GAAP**		3,321

BALANCE SHEET at 31 March 2011

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by TfGM. The net assets of TfGM (assets less liabilities) are matched by the reserves held by TfGM. Reserves are reported in two categories – usable and unusable. Usable are those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that TfGM is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences (for example the Deferred Capital Grants and Contributions Account).

		Group			TfGM		
		31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
ASSETS							
Long term assets							
Property, plant & equipment	9	1,034,800	737,964	575,096	1,034,800	737,964	575,096
Investment property	11	396	498	594	-	-	-
Investments	12	-	-	-	2,758	2,758	2,758
Long term debtors	13	-	275	2,540	-	275	2,540
Net pensions assets	20	35,000	-	41,500	35,000	-	41,500
		1,070,196	738,737	619,730	1,072,558	740,997	621,894
Current Assets							
Short term debtors	13	86,672	84,460	51,845	86,723	84,506	51,864
Inventories	14	40	54	49	40	54	49
Cash and cash equivalents	15	31,417	12,844	21,793	31,158	12,614	21,559
		118,129	97,358	73,687	117,921	97,174	73,472
TOTAL ASSETS		**1,188,325**	**836,095**	**693,417**	**1,190,479**	**838,171**	**695,366**
LIABILITIES							
Current Liabilities							
Short term creditors	16	(62,724)	(58,729)	(49,699)	(66,035)	(61,986)	(52,813)
Provisions	16,17	(564)	(2,099)	(3,821)	(564)	(2,099)	(3,821)
Short term borrowing	16,18	(2,858)	(2,714)	(2,623)	(2,874)	(2,749)	(2,693)
		(66,146)	(63,542)	(56,143)	(69,473)	(66,834)	(59,327)
Long term liabilities							
Provisions	17	(3,005)	(206)	-	(3,005)	(206)	-
Net pension liabilities	20	-	(39,700)	-	-	(39,700)	-
Long term borrowings	18	(72,794)	(74,300)	(74,887)	(72,794)	(74,300)	(74,887)
		(75,799)	(114,206)	(74,887)	(75,799)	(114,206)	(74,887)
TOTAL LIABILITIES		**(141,945)**	**(177,748)**	**(131,030)**	**(145,272)**	**(181,040)**	**(134,214)**
NET ASSETS		**1,046,380**	**658,347**	**562,387**	**1,045,207**	**657,131**	**561,152**
FINANCED AS FOLLOWS:							
Reserves as follows:							
Usable reserves	19	60,267	43,512	25,608	60,646	43,848	25,925
Unusable reserves	19	986,113	614,835	536,779	984,561	613,283	535,227
		1,046,380	**658,347**	**562,387**	**1,045,207**	**657,131**	**561,152**

The notes from page 27 onwards form part of these accounts.

SG WARRENER
Director
28 July 2011

MCR RENSHAW
Director

CASH FLOW STATEMENTS for the year ended 31 March 2011

The Cash Flow Statements show the changes in cash and cash equivalents of the group and TfGM during the reporting period. The statements show how the group and TfGM generates and uses cash and cash equivalents and classifies cash flows into 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 are funded by way of grant income or from the recipients of services provided by the group and TfGM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are a useful indicator in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group and TfGM.

		Group		TfGM	
	Notes	2011 £000	2010 £000	2011 £000	2010 £000
Net surplus on provision of services		338,433	173,560	338,476	173,579
Adjustments to reconcile income to net cash flows:					
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities					
Finance cost	6	6,659	11,711	6,558	11,615
Interest paid		(4,238)	(4,257)	(4,238)	(4,257)
Adjustments for other non- cash movements					
Depreciation	7,9	18,553	17,639	18,553	17,639
Loss / (gain) on disposal of non-current assets	7,9(e)	2,756	6,903	2,756	7,555
IAS19 pension service costs	20	(24,900)	1,800	(24,900)	1,800
IAS19 employer contributions	20	(2,500)	(2,400)	(2,500)	(2,400)
(Increase) / decrease in debtors		(1,937)	(32,738)	(1,942)	(32,765)
(Increase) / decrease in inventories		14	(5)	14	(5)
Increase / (decrease) in creditors and provisions		(2,632)	728	(2,578)	871
Net cash flows from operating activities		**330,208**	**172,941**	**330,199**	**173,632**
Investing Activities					
Purchase of property, plant and equipment		(310,254)	(181,277)	(310,254)	(181,277)
Proceeds from sale of property, land and equipment		-	652	-	-
Net cash flows from investing activities		**(310,254)**	**(180,625)**	**(310,254)**	**(181,277)**
Financing Activities					
Repayment of short and long term borrowings		(1,381)	(1,265)	(1,401)	(1,300)
Net cash flows from financing activities		**(1,381)**	**(1,265)**	**(1,401)**	**(1,300)**
Net increase/(decrease) in cash and cash equivalents		18,573	(8,949)	18,544	(8,945)
Cash and cash equivalents as at 1 April		12,844	21,793	12,614	21,559
Cash and cash equivalents as at 31 March	15	**31,417**	**12,844**	**31,158**	**12,614**

The notes from page 27 onwards form part of these accounts.

NOTES TO THE ACCOUNTS

1. Introduction

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011. Paragraph 17 of the Accounts and Audit Regulations 2011 states that 'A statement of accounts of a Passenger Transport Executive must be prepared as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive'. Proper practices for TfGM are set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('The Code'). The 2010/11 Statement of Accounts is the first to be prepared by TfGM in accordance with the Code. Accordingly all comparative amounts for 2010 and 2009 have been re-stated. The effects of this re-statement are shown in note 24.

2. Basis of Preparation

The accounts have been prepared on a historical cost basis, except for certain property assets that are measured at fair value, in accordance with the Code. The group accounts have been prepared on a going concern basis.

Statement of Compliance with IFRS

TfGM has adopted all aspects of the Code other than as follows:

- Deregulation Reserve. IFRS 5 would treat the deregulation of bus services in 1986 as a discontinued operation, leading to the write off of any costs connected with deregulation. However, the Transport Act of 1985 allowed any costs incurred on deregulation to be transferred to a specific reserve, called the 'Deregulation Reserve'. TfGM has adopted a policy of amortising the Deregulation Reserve over 30 years. Refer to note 19 for further details.
- Investment properties: The Code provides that any surplus or deficit arising on the revaluation of investment properties should be transferred to a revaluation reserve. TfGM's policy is to charge or credit any surplus or deficit to the income and expenditure account in the year that it arises. This policy is in line with IAS and it is considered that this treatment is more appropriate to TfGM than the Code.

Group Accounts

The group accounts comprise the accounts of TfGM and its subsidiary and associated undertakings as at 31 March 2011 (see Note 21(a)).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. They are fully consolidated from the date that TfGM obtains control, until the date that such control ceases.

The financial statements of a joint venture in which TfGM has an interest are prepared for the same reporting period as TfGM, using consistent accounting policies. TfGM recognises its interest in the joint venture, Piccadilly Triangle Developments LLP (see Note 21(a)), using proportionate consolidation. TfGM combines its share of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its group financial statements between the dates that it has an interest.

All intra-group trading, balances and unrealised gains and losses as at the end of the period are eliminated in full (in the case of subsidiaries) or in part (in the case of the joint venture).

3. Summary of Significant Accounting Policies

3.1 Property, Plant and Equipment and Assets Under Construction

Items of property, plant and equipment are stated at cost less accumulated depreciation, with the exception of investment properties and non-infrastructure operational assets which are measured at fair value. TfGM's policy is to write off the carrying value of all assets, other than freehold land, on a straight line basis over their estimated remaining useful lives.

The range of estimated useful lives for each class of assets is as follows:

Freehold and long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Infrastructure assets (see note * below)	20 to 50 years
Plant and equipment (including software)	3 to 10 years

Vehicles: Motor vehicles	3 to 5 years

* Infrastructure assets includes a number of categories of assets relating to the Metrolink network. Further details of the asset lives within this category are given below:

Civil structures	50 years
Stations	30 years
Track and track bed	20 to 30 years
Ticket machines and information points	20 years
Overhead power lines	30 years
Signalling/telecoms	20 years
Metrolink trams	30 years

* The cost of Metrolink (Phases 1 and 2) includes £11.498m (*2010 £11.498m*) representing the costs of acquiring the land required for the system to be constructed. In accordance with standard accounting practice this land is not being depreciated.

Depreciation of assets, and amortisation of any grant funding its acquisition, commences with effect from the month following capitalisation. Capitalisation of assets is carried out as soon as practicable following its acquisition or completion, irrespective of whether the asset has been brought into full use.

Annual reviews are undertaken of the estimated remaining life and current carrying amount of assets; ensuring that significant assets are reviewed annually and other assets are reviewed at least every three years. Adjustments to the carrying amount, or remaining useful life, are made where necessary.

An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the Comprehensive Net Income and Expenditure Statement in the year the item is derecognised, offset by the write-back of any grant funding that has been received and which has not been released to the Revenue Reserve.

For the ongoing measurement of property, plant and equipment, TfGM is adopting the Code, which requires the fair value method to be applied to non-infrastructure operational assets. Assets classified as infrastructure include all Metrolink assets, bus stations, interchanges, turning points, bus shelters and other route equipment and works.

As permitted by the Code, the carrying value of property, plant and equipment in existence on the transition date of 1 April 2010 has been treated as deemed cost at the transition date.

Assets under construction relate to expenditure incurred in respect of assets which are incomplete as at the reporting date. The assets are transferred to the appropriate heading and depreciated when they become available for use.

3.2 Non-current assets held for sale

Non-current assets classified as held for sale are classified as such, and measured at the lower of carrying amount and fair value less costs to sell, if their value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management is committed to the sale, which is expected to complete within one year.

Property, plant and equipment classified as held for sale are not depreciated.

There were no assets classified as held for sale as at 31 March 2011.

3.3 Investment properties

Investment properties are initially recognised at cost, including direct transaction costs. They are subsequently revalued annually in accordance with the fair value model, reflecting market conditions at the balance sheet date. Any surplus or deficit arising from any change in fair value is recognised in the Comprehensive Net Income and Expenditure Statement in the period in which it arises.

Investment properties are not depreciated. They are de-recognised when disposed of, or when no future economic use is expected. The difference between net proceeds and carrying value is recognised in the Comprehensive Income and Expenditure Statement in the period of de-recognition.

3.4 Capital and revenue grants and contributions

Capital and revenue grants receivable and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not yet been met. These amounts are recognised in the Balance Sheet within capital and revenue grants received in advance until such time as the conditions are met whereupon they are transferred to the Comprehensive Income and Expenditure Statement.

With respect to capital grants or contributions, if the expenditure to be financed from the grant or contribution has been incurred at the balance sheet date, the grant or contribution is transferred from the Revenue Reserve to the Deferred Capital Grants and Contributions Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the capital grants unapplied account via the Movement in Reserves Statement.

With respect to revenue grants or contributions, if the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the revenue grants unapplied account via the Movement in Reserves Statement.

In the cases where a capital or revenue grant is received which is subject to a stipulation that it be returned to the transferor if a specified future event does not occur, a return obligation does not arise until such time as it is expected that the stipulation will be breached; and a liability is not recognised until the recognition criteria have been satisfied.

3.5 Inventories

Inventories are carried at the lower of cost (including costs incurred in bringing the inventory to its present location, such as freight) and net realisable value, determined on a first in first out basis.

3.6 Financial Assets

Financial assets are classified at recognition as loans, deposits or receivables in accordance with IAS 39, and recognised at cost. TfGM has not designated any financial assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial assets include cash, short-term deposits, trade and other receivables.

Subsequent measurement depends on their classification as follows:

Cash and cash equivalents: funds placed with banks and other financial institutions by GMCA with a maturity of three months or less. For the purpose of the group cash flow statement, cash and cash equivalents are as defined above, net of any outstanding bank overdrafts.

Loans and deposits: non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Any gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the assets are amortised, de-recognised or impaired.

Trade and other receivables: recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Finance leases: refer to notes 3.14 and 3.15.

3.7 Financial Liabilities

Financial liabilities are classified at recognition as loans and borrowings in accordance with IAS 39, and recognised at cost. TfGM has not designated any financial liabilities assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial liabilities include bank overdraft, trade creditors, loans and other payables.

Subsequent measurement depends on their classification as follows:

Loans and borrowings: non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Any gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are amortised, de-recognised or impaired.

Trade and other payables: recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the income statement in the period in which it is recognised.

Finance leases: refer to notes 3.14 and 3.15.

3.8 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, if, and only if, there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

3.9 Impairment of non-financial assets

TfGM assesses each year whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TfGM estimates the asset's recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. This is determined for an individual asset, unless it does not generate cash flows independently from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted at a rate reflecting TfGM's current assessment of its average borrowing rates. In determining fair value less costs to sell, an appropriate valuation model is used. The calculations are reviewed where possible against other available indicators.

Impairment losses are recognised in the Comprehensive Income and Expenditure Statement in those expense categories consistent with the function of the asset, except for property previously re-valued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is also made each year as to whether there is any indication that previously recognised impairment losses may no longer exist; or may have decreased. If this is the case, TfGM estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognised. Such reversal is recognised in the Comprehensive Income and Expenditure Statement unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase.

3.10 Provisions, Contingent liabilities and Contingent assets

Provisions

Provisions are made where an event has taken place that gives TfGM a legal or constructive obligation that "probably" requires settlement by a transfer of economic benefits or service potential, and, where a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that TfGM becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the amount of the provision no longer required is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income in the relevant service line if it is "virtually certain" that reimbursement will be received if TfGM settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives TfGM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of TfGM.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are instead disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives TfGM a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly with the control of TfGM.

Contingent assets are not recognised in the Balance Sheet but are instead disclosed in a note to the accounts where it is possible that there will be an inflow of economic benefits or service potential.

3.11 Rail Services - Funding

Local rail services are provided under the terms of the relevant of Franchise Agreements. TfGM is a co-signatory to the Northern Rail franchise, with the Department for Transport and the other PTEs into whose areas Northern Rail runs services. Under the terms of the Franchise Agreement, each of the funding parties has contracted to pay, direct to the Franchisee, annual sums in respect of their share of the services being provided. In addition, financial bonuses or penalties are applied according to how well the operator performs against certain specific benchmarks in terms of train service reliability and punctuality, and also in terms of a number of specific criteria against which the quality of service provision at stations and on trains is assessed.

The cost of the Franchise and of certain direct costs of rail support is funded by a Special Rail Grant, which is paid by the Department for Transport direct to TfGM.

3.12 Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, TfGM provides assets and grants to Greater Manchester Accessible Transport Limited (GMATL) and grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants received from GMCA, which for the year ended 31 March 2011 amounted to £8.134 million (2010: £38.811 million).

Once completed, ownership of these assets vests in rail operating companies, Network Rail, GMATL, bus operators or the Local Authority as appropriate.

Both the costs and the grant income are recognised within the Comprehensive Income and Expenditure Statement.

3.13 Turnover

Turnover, which all arises within the United Kingdom and is stated net of value added tax, represents income arising from Metrolink fare revenues, services provided, rental income, and advertising revenues, including estimates in respect of services provided but not invoiced at the year end.

3.14 Lease Income

Amounts receivable under finance leases are stated net of interest allocated to future periods. Interest is allocated to accounting periods to produce a constant periodic rate of return on the remaining net investment.

Rentals receivable under operating leases, and secondary rentals received and retained by the group under finance leases, are credited to income as they arise. Any premia or incentives within the lease are recognised as income on an equal basis over the term of the lease.

3.15 Lease expenditure

Assets held under finance leases where TfGM retains substantially all the risks and benefits of ownership are capitalised in the balance sheet at the lower of the fair value of the asset and the net present value of the minimum lease payments; the assets are then depreciated over their useful economic lives.

The lease obligations are recognised as a financial liability. The interest element of the rental obligations is charged to the Comprehensive Income and Expenditure Statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to expenditure on a straight line basis over the term of the lease, recognising on an equal basis the impact of any premia or incentives.

3.16 Pensions

Employees of TfGM are members of the Local Government Pension Scheme administered by Greater Manchester Pension Fund (GMPF).

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for TfGM.

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to TfGM are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds as measured by the iBoxx Sterling Corporates AA Over 15 years index).
- The assets of GMPF attributable to TfGM are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - expected return on assets – the annual investment return on the fund assets attributable to TfGM, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - gains or losses on settlements and curtailments – the result of actions to relieve TfGM of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited or debited to the Pensions Reserve; and
  - contributions paid to the GMPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Revenue Reserve balance to be charged with the amount payable by TfGM to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance on the Pensions Reserve thereby reflects the beneficial impact on the Revenue Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits is earned by employees.

3.17 Accrual of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from sales of goods is recognised when TfGM transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to TfGM;

- Revenue from the provision of services is recognised when TfGM can reliably measure the completion of the transaction and where it is probable that economic benefits or service potential associated with the transaction will flow to TfGM;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the amount of income that might not be collected.

3.18 Reserves

TfGM holds specific amounts as reserves for future policy purposes or to cover contingencies. Reserves held are shown in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, capital grants, retirement and employee benefits and do not represent usable resources for TfGM. These reserves are explained in note 19.

3.19 Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of TfGM's financial performance.

3.20 Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

3.21 Value Added Tax (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.

4. Significant accounting judgements, estimates and assumptions

The preparation of TfGM's group accounts requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The items in TfGM's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.
- Provisions: Included in provisions is an amount in respect of works arising in the ordinary course of delivering TfGM's capital programme.

5. Amounts Reported for Resource Allocation – Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by TfGM's Board of Directors on the basis of business performance reports analysed by Directorate. These management reports are prepared on a different basis from the accounting policies used in the financial statements. For example the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year, and the accounting treatment for grants also differs from that prescribed in the Code.

Below is a restatement of the Cost of Services and Non Specific Revenue Grant income presented on a similar basis to that shown in TfGM's monthly business performance reporting.

Group	**2011**			**2010**		
	Non-Metrolink £000	**Metrolink £000**	**Total £000**	**Non-Metrolink £000**	**Metrolink £000**	**Total £000**
Income						
Revenue grants	131,837	-	131,837	132,227	-	132,227
Special Rail Grant	79,909	-	79,909	79,862	-	79,862
English National Concessionary Travel Grant	11,065	-	11,065	10,768	-	10,768
Income from subisidised services	9,073	-	9,073	5,772	-	5,772
Metrolink revenue	-	30,382	30,382	-	28,514	28,514
Other government grants	337	-	337	1,014	-	1,014
Funding from reserves	6,677	-	6,677	2,482	-	2,482
Other income	7,780	-	7,780	10,482	-	10,482
Total revenue income	246,678	30,382	277,060	242,607	28,514	271,121
Expenditure						
Contracted costs						
Rail grant payable to franchise operators	(78,462)	-	(78,462)	(78,294)	-	(78,294)
Concessionary fare scheme	(75,449)	-	(75,449)	(70,702)	-	(70,702)
Supported bus services	(38,063)	-	(38,063)	(37,275)	-	(37,275)
Metrolink	-	(20,359)	(20,359)	-	(19,292)	(19,292)
Accessible transport	(6,068)	-	(6,068)	(6,366)	-	(6,366)
	(198,042)	(20,359)	(218,401)	(192,637)	(19,292)	(211,929)
Operational costs						
Staff costs	(23,172)	(1,440)	(24,612)	(25,196)	(913)	(26,109)
Premises costs	(6,855)	-	(6,855)	(6,524)	-	(6,524)
Other external costs	(12,350)	(3,106)	(15,456)	(8,510)	(1,975)	(10,485)
	(42,377)	(4,546)	(46,923)	(40,230)	(2,888)	(43,118)
Financing costs	(6,907)	(12)	(6,919)	(10,987)	(3)	(10,990)
Revenue (deficit)/surplus for the year	**(648)**	**5,465**	**4,817**	**(1,247)**	**6,331**	**5,084**

Reconciliation of above to the Comprehensive Income and Expenditure Statement.

	2011	2011 Total £000	2010	2010 Total £000
Cost of services per CIES		(114,204)		(136,831)
Pensions – IAS19 adjustments		(27,400)		(600)
Amounts released from Capital Adjustment				
Offset of depreciation on grant funded assets	16,260		15,463	
Other releases	-		517	
		16,260		15,980
		(125,344)		(121,451)
Non specific grant income - Revenue Grant	144,343		139,497	
less: Contribution towards future costs	(10,000)		-	
		134,343		139,497
Operating revenue surplus for the year before:		8,999		18,046
Financing and investment income and expenditure costs excluding net pension scheme finance costs and investment property revaluation adjustment		(4,255)		(7,410)
Other operating expenditure		(265)		(79)
Transfer to the Deregulation Reserve		(1,100)		(1,100)
Grant income accounted for differently in CIES		-		(2,367)
Other reserve transfers		1,438		(2,006)
Revenue surplus for the year		**4,817**		**5,084**

TfGM

	2011 Non-Metrolink £000	2011 Metrolink £000	2011 Total £000	2010 Non-Metrolink £000	2010 Metrolink £000	2010 Total £000
Income						
Revenue grants	131,837	-	131,837	132,227	-	132,227
Special Rail Grant	79,909	-	79,909	79,862	-	79,862
English National Concessionary Travel Grant	11,065	-	11,065	10,768	-	10,768
Income from subisidised services	9,073	-	9,073	5,772	-	5,772
Metrolink revenue	-	30,382	30,382	-	28,514	28,514
Other government grants	337	-	337	1,014	-	1,014
Funding from reserves	6,677	-	6,677	2,482	-	2,482
Other income	7,422	-	7,422	10,380	-	10,380
Total revenue income	246,320	30,382	276,702	242,505	28,514	271,019
Expenditure						
Contracted costs						
Rail grant payable to franchise operators	(78,462)	-	(78,462)	(78,294)	-	(78,294)
Concessionary fare scheme	(75,449)	-	(75,449)	(70,702)	-	(70,702)
Supported bus services	(38,063)	-	(38,063)	(37,275)	-	(37,275)
Metrolink	-	(20,359)	(20,359)	-	(19,292)	(19,292)
Accessible transport	(6,068)	-	(6,068)	(6,366)	-	(6,366)
	(198,042)	(20,359)	(218,401)	(192,637)	(19,292)	(211,929)
Operational costs						
Staff costs	(23,172)	(1,440)	(24,612)	(25,196)	(913)	(26,109)
Premises costs	(6,855)	-	(6,855)	(6,524)	-	(6,524)
Other external costs	(12,050)	(3,106)	(15,156)	(8,485)	(1,975)	(10,460)
	(42,077)	(4,546)	(46,623)	(40,205)	(2,888)	(43,093)
Financing costs	(6,907)	(12)	(6,919)	(10,987)	(3)	(10,990)
Revenue (deficit)/surplus for the year	**(706)**	**5,465**	**4,759**	**(1,324)**	**6,331**	**5,007**

Reconciliation of above to the Comprehensive Income and Expenditure Statement.

	2011	2011 Total £000	2010	2010 Total £000
Cost of services per CIES		(114,308)		(136,806)
Pensions – IAS19 adjustments		(27,400)		(600)
Amounts released from Capital Adjustment				
Offset of depreciation on grant funded assets	16,260		15,463	
Other releases	-		517	
		16,260		15,980
		(125,448)		(121,426)
Non specific grant income - Revenue Grant	144,343		139,497	
less: Contribution towards future costs	(10,000)		-	
		134,343		139,497
Operating revenue surplus for the year before:		8,895		18,071
Financing and investment income and expenditure costs excluding net pension scheme finance costs and investment property revaluation adjustment		(4,209)		(6,860)
Other operating expenditure		(265)		(731)
Transfer to the Deregulation Reserve		(1,100)		(1,100)
Grant income accounted for differently in CIES		-		(2,367)
Other reserve transfers		1,438		(2,006)
Revenue surplus for the year		**4,759**		**5,007**

Included within revenue grants is an amount of £10 million which relates to the first instalment of the resource contribution of £50 million which is being made by Manchester Airport plc to the costs of funding of the Metrolink Airport line as noted in the report to AGMA on 10 July 2010. A further four instalments of £10 million each are payable over the next four years from 31 March 2012 to 31 March 2015. The funding agreement includes the requirement for the airport line extension to be open by an agreed 'long stop' date of 31 December 2020. The line is planned to become operational during 2016.

Other Income

Other income was derived from the following sources:

	Group		TfGM	
	2011 £000	2010 £000	2011 £000	2010 £000
Bus station facility charges	2,930	2,893	2,930	2,893
Subsidised bus services	7,157	5,914	7,157	5,914
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities recoveries.	5,316	5,193	4,958	4,911
Rents and service charges	1,197	1,523	1,197	1,523
Advertising revenue	540	536	540	536
	17,140	**16,059**	**16,782**	**15,777**

6. Financing and Investment Income and Expenditure

	Group		TfGM	
	2011 £000	2010 £000	2011 £000	2010 £000
Financing Costs				
Interest payable and similar charges	4,251	4,232	4,251	4,232
Write-off of premium on loan restructuring	-	2,388	-	2,388
Adjustment on the equalisation of interest on a loan	7	795	7	795
Pensions interest cost and expected return on pensions assets	2,300	4,200	2,300	4,200
Changes in the fair value of investment properties	101	96	-	-
	6,659	**11,711**	**6,558**	**11,615**

	Group		TfGM	
	2011 £000	2010 £000	2011 £000	2010 £000
Investment Income				
Interest receivable and similar income	3	5	3	5
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	-	-	46	550
	3	**5**	**49**	**555**

7. Surplus on provision of services for the year

(a) The operating surplus for the year has been stated after the following have been charged/(credited):

	Group		TfGM	
	2011 £000	2010 £000	2011 £000	2010 £000
Remuneration of Statutory Directors (note 7b)	255	253	255	253
Non - executive directors fees	35	63	35	63
Depreciation of property, plant and equipment (note 9)	18,553	17,639	18,553	17,639
Net loss / (gain) on disposal of non-current assets	2,756	6,903	2,756	7,555
Fees payable to external auditors for:				
- audit services	128	93	115	80
- certification of grant claims and returns	2	3	2	3
- other services	1	1	1	1
Rents receivable	(1,197)	(1,523)	(1,197)	(1,523)
Operating leases - minimum lease payments	602	602	597	597

(b) Directors' remuneration

The remuneration paid to the organisation's senior employees is as follows:

		Salary	Employer pension contributions	Total
		£	£	£
Bus and Rail Director	2010/11	99,768	13,326	113,094
	2009/10	99,768	12,833	112,601
Communications and Customer Services Director	2010/11	92,000	12,420	104,420
(appointed March 2010)	2009/10	2,473	322	2,795
Finance & Corporate Services Director	2010/11	124,845	16,854	141,699
	2009/10	124,845	16,230	141,075
Information Systems Director	2010/11	126,875	17,128	144,003
	2009/10	126,875	16,494	143,369
Metrolink Director	2010/11	121,800	16,443	138,243
	2009/10	121,800	15,834	137,634
Transport Strategy Director (appointed April 2010)	2010/11	92,433	12,479	104,912
	2009/10	-	-	-

Payments to external organisations for the services of directors in 2010/11 totalled £565,569 (2010: £774,794)

(c) Staff costs and average number of employees

	Group		TfGM	
	2011	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**
Wages and salaries	18,352	17,966	18,101	17,711
Social security costs	1,451	1,413	1,436	1,397
Pension costs	2,099	2,010	2,073	1,961
	21,902	**21,389**	**21,610**	**21,069**

The average number of employees during the year was as follows:

	Group		TfGM	
	2011	**2010**	**2011**	**2010**
Operational Staff	222	235	209	219
Administrative Staff	382	384	381	383
	604	**619**	**590**	**602**

The number of employees (including directors) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

	Group and TfGM	
	2011	2010
Salary range	**Number**	**Number**
£50,000 to £54,999	11	6
£55,000 to £59,999	11	8
£60,000 to £64,999	8	10
£65,000 to £69,999	-	2
£70,000 to £74,999	4	2
£75,000 to £79,999	3	3
£80,000 to £84,999	2	1
£85,000 to £89,999	1	1
£90,000 to £94,999	3	1
£95,000 to £99,999	1	2
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	2	2
£125,000 to £129,999	1	1

The year on year movement includes five employees who, as a result of grade increments are now included within the £50,000 to £54,999 banding in 2010/11.

8. Taxation

There is no corporation tax due for either the year ended 31 March 2011 or 2010 for any organisation in these group accounts. TfGM's advisers on taxation continue to monitor TfGM's taxation position, and the directors have been advised that it is unlikely that there will be any corporation tax payable in the foreseeable future.

9. Property, Plant and Equipment

An analysis of the movements within the gross and depreciated or impaired book value of property, plant and equipment by key category is contained in the tables below:

Property, plant and equipment is reported as either capitalised assets available for use or as assets under construction. The net book values of property, plant and equipment are summarised below.

	Group			TfGM		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000	£000	£000	£000
Capitalised assets available for use	341,693	334,391	287,156	341,693	334,391	287,156
Assets under construction	693,107	403,573	287,940	693,107	403,573	287,940
Total	1,034,800	737,964	575,096	1,034,800	737,964	575,096

Details of the assets are provided below

a) Capitalised assets available for use

GROUP	Total £000	Infra-structure £000	Land & Buildings £000	Plant & Equipment £000	Vehicles £000
Cost or valuation:					
At 1 April 2009	464,819	419,027	14,990	29,012	1,790
Transfers from assets under construction	72,429	67,195	-	4,694	540
Disposals	(50,537)	(46,219)	-	(4,230)	(88)
At 31 March 2010	**486,711**	**440,003**	**14,990**	**29,476**	**2,242**
Transfers from assets under construction	28,610	24,020	-	674	3,916
Disposals	(10,972)	(10,972)	-	-	-
At 31 March 2011	**504,349**	**453,051**	**14,990**	**30,150**	**6,158**
Depreciation and impairment:					
At 1 April 2009	177,663	161,199	811	14,915	738
Depreciation provided during the period	17,424	13,137	374	3,862	51
Depreciation provided on transfers from Passenger Transport Facilities	215	5	-	-	210
Disposals	(42,982)	(38,664)	-	(4,230)	(88)
At 31 March 2010	**152,320**	**135,677**	**1,185**	**14,547**	**911**
Depreciation provided during the period	18,553	13,927	373	3,814	439
Disposals	(8,217)	(8,217)	-	-	-
At 31 March 2011	**162,656**	**141,387**	**1,558**	**18,361**	**1,350**
Net Book Value:					
At 31 March 2011	341,693	311,664	13,432	11,789	4,808
At 31 March 2010	334,391	304,326	13,805	14,929	1,331
At 1 April 2009	287,156	257,828	14,179	14,097	1,052

TfGM	Total £000	Infra-structure £000	Land & Buildings £000	Plant & Equipment £000	Vehicles £000
Cost or valuation:					
At 1 April 2009	464,819	419,027	14,990	29,012	1,790
Transfers from assets under construction	72,429	67,195	-	4,694	540
Disposals	(50,537)	(46,219)	-	(4,230)	(88)
At 31 March 2010	**486,711**	**440,003**	**14,990**	**29,476**	**2,242**
Transfers from assets under construction	28,610	24,020	-	674	3,916
Disposals	(10,972)	(10,972)	-	-	-
At 31 March 2011	**504,349**	**453,051**	**14,990**	**30,150**	**6,158**
Depreciation and impairment:					
At 1 April 2009	177,663	161,199	811	14,915	738
Depreciation provided during the period	17,424	13,137	374	3,862	51
Depreciation provided on transfers from Passenger Transport Facilities	215	5	-	-	210
Disposals	(42,982)	(38,664)	-	(4,230)	(88)
At 31 March 2010	**152,320**	**135,677**	**1,185**	**14,547**	**911**
Depreciation provided during the period	18,553	13,927	373	3,814	439
Disposals	(8,217)	(8,217)	-	-	-
At 31 March 2011	**162,656**	**141,387**	**1,558**	**18,361**	**1,350**

TfGM	Total £000	Infra-structure £000	Land & Buildings £000	Plant & Equipment £000	Vehicles £000
Net Book Value:					
At 31 March 2011	341,693	311,664	13,432	11,789	4,808
At 31 March 2010	334,391	304,326	13,805	14,929	1,331
At 1 April 2009	287,156	257,828	14,179	14,097	1,052

The net book value of land and buildings, within infrastructure and non-infrastructure categories, as at 31 March 2011 comprised:

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Freehold	13,258	13,781	14,487	13,258	13,781	14,487
Long Leasehold	56,004	57,946	59,437	56,004	57,946	59,437
Short Leasehold	764	807	846	764	807	846
	70,026	**72,534**	**74,770**	**70,026**	**72,534**	**74,770**

b) Assets held under finance leases

TfGM has a number of leases relating to vehicles and office equipment with subsidiary companies. The carrying value of these asset held under finance leases at 31 March 2011 was £15,000 (2010: £34,000), with an original cost of £409,000 (2010: £409,000). The value of the annual rentals are £111,000 (2010: £111,000). The leases are in the secondary period and can be terminated at any time.

c) Revaluation of property, plant and equipment

In accordance with Code of Practice for local authorities, TfGM will be carrying out regular revaluations of all non-infrastructure operational assets. Fair value will be determined by reference to market based evidence, adjusted for the nature, location and condition of the specific property.

d) Assets under Construction

Group & TfGM	Expenditure	Grants	Net
At 1 April 2009	287,940	(288,325)	(385)
Expenditure incurred/grants receivable in year	227,990	(228,314)	(324)
Transferred to grants in advance	-	8,543	8,543
Transferred to fixed assets/deferred capital grants	(72,731)	67,056	(5,675)
Transferred to passenger transport facilities	(38,811)	38,811	-
Transferred to Revenue Account	(815)	-	(815)
At 31 March 2010	**403,573**	**(402,229)**	**1,344**
At 1 April 2010	403,573	(402,229)	1,344
Expenditure incurred/grants receivable in year	327,612	(325,847)	1,765
Transferred from grants in advance	-	(8,543)	(8,543)
Transferred to grants in advance	-	12,020	12,020
Transferred to fixed assets/deferred capital grants	(28,610)	27,076	(1,534)
Transferred to passenger transport facilities	(8,134)	8,134	-
Transferred to Revenue Account	(1,334)	6	(1,328)
At 31 March 2011	**693,107**	**(689,383)**	**3,724**

The main items of capital expenditure in the year related to amounts invested in the Phase 3 Metrolink extensions. This includes investment in the construction of the lines and the rolling stock. Other significant items of capital expenditure included: investment in 'Green' buses for deployment across the subsidised general and school services bus network; investment in upgrading the existing Metrolink network; and a number of other schemes including rail station improvements.

Capital grants receivable in the year were receivable from the GMITA, Salford City Council, Manchester City Council and various other organisations. None of the expenditure in the year was financed by finance leases.

At 31 March 2011 the amount of grants received in advance of payments made in respect of expenditure on capital projects and held within the Unapplied Grants Account was £12.020 million (£8.543 million at 31 March 2010).

The value of grants held against assets under construction and as deferred grants held against fixed assets are reported within the Deferred Capital Grants and Contributions Account. The Deferred Capital Grants and Contributions Account is included with the unusable reserves within the balance sheet.

e) Loss on disposal of property, plant and equipment

The reported gain or loss on disposal of fixed assets is calculated with reference to both the carrying value of the assets themselves, and also the write-back of any unamortised grant outstanding. In relation to the losses made during the year, they can be analysed as follows:

	Group		TfGM	
	2011	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**
Net proceeds from sale of assets	5	652	5	-
Disposal costs written off	(6)	-	(6)	-
De-recognition of carrying values of assets	(2,755)	(7,555)	(2,755)	(7,555)
Loss on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement	**(2,756)**	**(6,903)**	**(2,756)**	**(7,555)**
De-recognition of carrying values of associated grants	2,491	6,824	2,491	6,824
	(265)	**(79)**	**(265)**	**(731)**

10. Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, TfGM provides assets and / or capital grants to Greater Manchester Accessible Transport Limited (GMATL) and capital grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants, which for the year ended 31 March 2011 amounted to £8.134 million (*2010: £38.811 million*). The ownership of these assets normally vests in rail operating companies, Network Rail, GMATL, the bus operator or the appropriate Local Authority. In certain circumstances, title in these assets may ultimately revert to TfGM. Costs and grants are written off as incurred / received.

11. Investment Property

	Group		TfGM	
	2011	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**
Fair value:				
At 1 April	498	594	-	-
Revaluations	(102)	(96)	-	-
At 31 March	**396**	**498**	**-**	**-**

The valuation was carried out by the directors of Charterplan Holidays Ltd, based on the advice of a qualified member of TfGM staff.

There is no investment property held directly by TfGM.

Amounts recognised in the Comprehensive Income and Expenditure Statement for:				
Direct costs of properties under rental agreements	(26)	(5)	-	-
Net loss	**(26)**	**(5)**	**-**	**-**

12. Investments

The investments of £2.758 million (previously £2.758 million) held by TfGM all relate to shareholdings in subsidiary undertakings. There are no investments held at a group level. TfGM's principal trading subsidiary undertakings at 31 March 2011, all of which are incorporated in England, are contained within note 21a on related party disclosures.

13. Debtors

Short term debtors: mounts falling due within one year:

	Group			TfGM		
	31 March 2011 £000	**31 March 2010 £000**	**1 April 2009 £000**	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
Trade debtors	16,060	5,509	4,183	16,043	5,507	4,177
Amounts receivable from GMITA	53,392	67,075	38,967	53,392	67,075	38,967
Amounts due from group undertakings	-	-	-	77	71	42
Other debtors	7,700	8,199	5,541	7,700	8,197	5,541
Prepayments and accrued income	9,520	3,677	3,154	9,511	3,656	3,137
	86,672	**84,460**	**51,845**	**86,723**	**84,506**	**51,864**
Analysed between the following classes of debtors:						
Central government bodies	4,459	6,848	3,275	4,459	6,846	3,275
Other local authorities	54,788	70,165	40,967	54,788	70,166	40,967
Other entities and individuals	27,425	7,447	7,603	27,476	7,494	7,622
	86,672	**84,460**	**51,845**	**86,723**	**84,506**	**51,864**

Long term debtors: Amounts falling due after more than one year:

	Group			TfGM		
	31 March 2011 £000	**31 March 2010 £000**	**1 April 2009 £000**	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
Other debtors	-	275	251	-	275	251
Prepayments and accrued income	-	-	2,289	-	-	2,289
	-	**275**	**2,540**	**-**	**275**	**2,540**

All of the long term debtors were with other entities and individuals. There were no long term debtors with any government bodies or local authorities.

Trade debtors are non-interest bearing; are generally on terms of 30 days or less; and are shown net of any provision for impairment.

At 31 March 2011, trade debtors at a nominal value of £587,000 (2010: £617,000) were impaired. Movements in the provision for impairment of receivables were as follows:

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Opening provision	617	576	407	617	576	407
Charge for the year	-	202	169	-	202	169
Amounts written off	(30)	(161)	-	(30)	(161)	-
Unused amounts reversed	-	-	-	-	-	-
Closing provision	**587**	**617**	**576**	**587**	**617**	**576**

As at 31 March 2011, the group ageing analysis of trade debtors was as follows:

			Past due but not impaired				
	Total £000	Neither overdue nor impaired £000	1-30 days £000	31-60 days £000	61-90 days £000	91-120 days £000	over 120 days £000
31 March 2011	16,080	14,922	345	792	-	4	17
31 March 2010	5,509	4,839	431	159	22	54	4
31 March 2009	4,183	2,316	1,214	101	74	35	443

14. Inventories

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Materials in relation to route service provision	40	54	49	40	54	49
	40	**54**	**49**	**40**	**54**	**49**

The amount of write-down of inventories recognised as an expense is £nil (2009/10: £nil) which is recognised in Operational Costs.

15. Cash and cash equivalents

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Cash at bank and in hand	877	799	593	618	569	359
Short term deposits with GMITA	30,540	12,045	21,200	30,540	12,045	21,200
	31,417	**12,844**	**21,793**	**31,158**	**12,614**	**21,559**

Surplus cash funds available to TfGM were deposited with the Greater Manchester Integrated Transport Authority for periods between one day and three months depending on the immediate cash requirements of TfGM and GMITA. GMITA earn variable period rates of interest, none of which is receivable by TfGM. Such amounts are shown as 'Short term deposits with GMITA' above.

16. Current Liabilities

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Short term creditors						
Trade creditors	5,803	8,619	5,920	5,802	8,612	5,913
Taxation and social security	468	450	504	455	440	461
Accruals and deferred income	53,064	46,397	39,473	52,994	46,343	39,489
Amounts due to GMITA	-	301	-	-	301	-
Amounts due to group undertakings	-	-	-	3,427	3,355	3,270
Other creditors	3,389	2,962	3,802	3,357	2,935	3,680
	62,724	58,729	49,699	66,035	61,986	52,813
Provisions (note 17)	564	2,099	3,821	564	2,099	3,821
Short term borrowings (note 18)	2,858	2,714	2,623	2,874	2,749	2,693
	66,146	**63,542**	**56,143**	**69,473**	**66,834**	**59,327**
Analysed between the following classes of creditors:						
Central government bodies	18,155	18,138	18,193	18,143	18,128	18,150
Other local authorities	73	988	365	73	988	365
Public corporations and trading funds	-	9	36	-	9	36
Other entities and individuals	47,918	44,407	37,549	51,257	47,709	40,776
	66,146	**63,542**	**56,143**	**69,473**	**66,834**	**59,327**

Trade creditors are non-interest bearing and are generally on terms of 30 days or less.

For terms and conditions pertaining to related parties, refer to note 21.

Accruals and deferred income are analysed as:

	Group			TfGM		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Accruals for expenditure recognised	50,815	44,551	38,658	50,745	44,497	38,674
Deferred income	2,249	1,846	815	2,249	1,846	815
	53,064	**46,397**	**39,473**	**52,994**	**46,343**	**39,489**

17. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year may be analysed as follows:

Group & TfGM	Total	Insurance Excess	Contractual Obligations	Employment Related	Capital Works	Contracted Maintenance	Onerous Leases
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2009	3,821	515	504	702	600	1,500	-
Arising during the year	1,273	171	-	-	476	420	206
Utilised during the year	(90)	(90)	-	-	-	-	-
Unused amounts reversed	(2,699)	(7)	(504)	(335)	(600)	(1,253)	-
At 31 March 2010	**2,305**	**589**	**-**	**367**	**476**	**667**	**206**
At 1 April 2010	2,305	589	-	367	476	667	206
Arising during the year	3,024	-	94	-	2,800	130	-
Utilised during the year	(973)	(264)	-	-	(476)	(232)	(1)
Unused amounts reversed	(787)	-	-	(367)	-	(420)	-
At 31 March 2011	**3,569**	**325**	**94**	**-**	**2,800**	**145**	**205**

Below is the aged expectation of the utilisation of the provisions.

	Total £000	Less than 12 months £000	Greater than 12 months £000
At 31 March 2009			
Insurance Excess	515	515	-
Contractual Obligations	504	504	-
Employment Related	702	702	-
Capital Works	600	600	-
Contracted Maintenance	1,500	1,500	-
Onerous Lease	-	-	-
	3,821	**3,821**	**-**
At 31 March 2010			
Insurance Excess	589	589	-
Contractual Obligations	-	-	-
Employment Related	367	367	-
Capital Works	476	476	-
Contracted Maintenance	667	667	-
Onerous Lease	206	-	206
	2,305	**2,099**	**206**
At 31 March 2011			
Insurance Excess	325	325	-
Contractual Obligations	94	94	-
Employment Related	-	-	-
Capital Works	2,800	-	2,800
Contracted Maintenance	145	145	-
Onerous Lease	205	-	205
	3,569	**564**	**3,005**

The amounts provided above at 31 March 2011 are described below:

- Insurance excesses: Excesses on Public Liability claims, arising from minor accidents to the public, and Employers Liability claims for work related illnesses that were potentially incurred prior to the transfer of TFGM's bus operations following the implementation of the Transport Act 1985.
- Contractual obligations: Certain contractual obligations existing at the balance sheet date.
- Employment related: Costs for certain employment related obligations and benefits, including in relation to TfGM's ongoing operational effectiveness programme.
- Capital works: Costs for works arising in the ordinary course of delivering TfGM's capital programme.
- Contracted maintenance: Maintenance works performed where the amount of payment is uncertain.
- Onerous lease: Future lease costs of a property held on a long term lease by TfGM.

18. Financial Instruments

Set out below is a comparison by class of the carrying amounts of TfGM's financial assets and financial liabilities that are carried in the financial statements:

Group	Carrying Amount			Fair Value		
	2011 £000	2010 £000	2009 £000	2011 £000	2010 £000	2009 £000
Financial Assets:						
Long term debtors	-	275	251	-	275	251
Current trade debtors	16,080	5,509	4,183	16,080	5,509	4,183
Amounts receivable from GMITA	53,372	67,075	38,967	53,372	67,075	38,967
Amounts due from group undertakings	-	-	-	-	-	-
Other debtors	3,241	1,374	2,269	3,241	1,374	2,269
Cash and cash equivalents	31,417	12,844	21,793	31,417	12,844	21,793
Financial Liabilities:						
Short term creditors	(62,256)	(58,279)	(49,195)	(62,256)	(58,279)	(49,195)
Loans and receivables: interest bearing loans and borrowings:						
Obligations under finance leases	-	-	-	-	-	-
Floating rate borrowings	-	-	-	-	-	-
Fixed rate borrowings - due within one year	(2,858)	(2,714)	(2,623)	(2,858)	(2,714)	(2,623)
Fixed rate borrowings - due after one year	(72,794)	(74,300)	(74,887)	(82,144)	(86,247)	(85,939)

TfGM	Carrying Amount			Fair Value		
	2011 £000	2010 £000	2009 £000	2011 £000	2010 £000	2009 £000
Financial Assets:						
Investments	2,758	2,758	2,758	2,758	2,758	2,758
Long term debtors	-	275	251	-	275	251
Current trade debtors	16,063	5,507	4,177	16,063	5,507	4,177
Amounts receivable from GMITA	53,372	67,075	38,967	53,372	67,075	38,967
Amounts due from group undertakings	77	71	42	77	71	42
Other debtors	3,241	1,372	2,269	3,241	1,372	2,269
Cash and cash equivalents	31,158	12,614	21,559	31,158	12,614	21,559
Financial Liabilities:						
Short term creditors	(65,580)	(61,546)	(52,352)	(65,580)	(61,546)	(52,352)
Loans and receivables: Interest bearing loans and borrowings:						
Obligations under finance leases	(15)	(35)	(70)	(15)	(35)	(70)
Floating rate borrowings	-	-	-	-	-	-
Fixed rate borrowings - due within one year	(2,874)	(2,749)	(2,693)	(2,874)	(2,749)	(2,693)
Fixed rate borrowings - due after one year	(72,794)	(74,300)	(74,887)	(82,144)	(86,247)	(85,939)

NOTES TO THE ACCOUNTS

The carrying amounts for interest bearing loans and borrowings can be analysed as follows:

Group

	Effective Interest Rate %	Maturity	2011 £000	2010 £000	2009 £000
Current:					
Obligations under finance leases	-	-	-	-	-
Bank overdrafts	0.5% over base rate	Demand	-	-	-
Loan capital from European Investment Bank	9.25%	2011-12	1,509	1,378	1,259
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2011-12	6	13	15
Accrued interest on all loans			1,343	1,323	1,349
			2,858	2,714	2,623
Non-current:					
Obligations under finance leases	-	-	-	-	-
Loan capital from European Investment Bank	9.25%	Dec 2012	1,652	3,161	4,539
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2010-45	18	22	26
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880	2,880
DePfa Bank Europe plc - a	5.97%	Mar 2017	5,000	5,000	5,000
DePfa Bank Europe plc - b	5.92%	Mar 2022	7,500	7,500	7,500
DePfa Bank Europe plc - c	6.42%	Apr 2022	12,000	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000	7,000
Dexia Credit Local - London Branch - d	3.70%	May 2035	8,000	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2010-35	802	795	-
			72,794	74,300	74,887
Total Loans and borrowings			**75,652**	**77,014**	**77,510**
Instalments are payable as follows:					
Within 1 year or repayable on demand			2,858	2,714	2,623
Within 1 to 2 years			1,655	1,512	1,382
Within 2 to 5 years			2	1,658	3,170
Within 5 to 10 years			5,002	5,002	5,002
Longer than 10 years			66,135	66,128	65,333
			75,652	**77,014**	**77,510**

TfGM

	Effective Interest Rate %	Maturity	2011 £000	2010 £000	2009 £000
Current:					
Obligations under finance leases	-	2011-12	16	35	70
Bank overdrafts	0.5% over base rate	Demand	-	-	-
Loan capital from European Investment Bank	9.25%	2011-12	1,509	1,378	1,259
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2011-12	6	13	15
Accrued interest on all loans			1,343	1,323	1,349
			2,874	2,749	2,693

	Effective Interest Rate %	Maturity	2011 £000	2010 £000	2009 £000
Non-current:					
Obligations under finance leases	-	2010-13	-	-	-
Loan capital from European Investment Bank	9.25%	Dec 2012	1,652	3,161	4,539
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2010-45	18	22	26
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880	2,880
DePfa Bank Europe plc - a	5.97%	Mar 2017	5,000	5,000	5,000
DePfa Bank Europe plc - b	5.92%	Mar 2022	7,500	7,500	7,500
DePfa Bank Europe plc - c	6.42%	Apr 2022	12,000	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000	7,000
Dexia Credit Local - London Branch - d	3.70%	May 2035	8,000	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2010-35	802	795	-
			72,794	74,300	74,887
Total Loans and borrowings			**75,668**	**77,049**	**77,580**

	2011 £000	2010 £000	2009 £000
Instalments are payable as follows:			
Within 1 year or repayable on demand	2,874	2,749	2,693
Within 1 to 2 years	1,655	1,512	1,382
Within 2 to 5 years	2	1,658	3,170
Within 5 to 10 years	5,002	5,002	5,002
Longer than 10 years	66,135	66,128	65,333
	75,668	**77,049**	**77,580**

Risk Factors

TfGM carries out credit assessments of all new customers before contracting with them; further to this, a prudent view is taken in respect of impairment of trade debtors as referred to in note 13.

TfGM bears almost no interest rate risk in relation to loans and borrowings, as all existing loans are at a fixed rate. Short term funding for working capital is provided by GMCA at zero interest.

Currency risk is not a significant factor for TfGM since it ensures that substantially all financial assets and liabilities are contracted for in sterling. The value of contracts denominated in Euros is not material.

Equity price risk is not a factor for TfGM since it holds no tradable investments.

Risks are managed in accordance with the Annual Governance Statement. Further management of TfGM's cash balances and funding requirements are managed by the daily assessment of available funds for short-term deposits, and the regular preparation of detailed treasury and cash flow forecasts which are reviewed by the Director of Finance and Corporate Services. Where necessary, mitigating actions are taken and agreement is sought from GMCA if further funding is required to cover, for example, short term cash flow shortages arising from the timing difference between expenditure and grant monies being applied for and received.

There is an element of credit risk in respect of short-term deposits placed by TfGM on behalf of GMCA; this risk is managed in accordance with the policies and procedures set out in the accounts of GMCA.

Hedging Instruments

TfGM holds no financial instruments that could be classified as hedging instruments.

Fair Values

Fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair value evaluations in respect of loans and borrowings are explained below.

The fair values of the following classes of financial instruments approximate their carrying amounts due to the short term maturities of these instruments:

- o Trade receivables
- o Trade payables and accruals for expenditure recognised
- o Cash and short term deposits
- o Receivables from, and deposits with, GMCA
- o Amounts due from group undertakings

Long term receivables have been evaluated based on collectability risk.

Loans and Borrowings

- Fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.
- However, it may be that the future cash flows of a loan do not fall in equal time periods from the date of valuation. Where this is the case, adjustments are made to each discount factor in order account for the timing inequality.
- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. We have therefore included accrued interest in the fair value calculation.
- The discount rates used for the evaluation were obtained by GMCA from Sector. Sector is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.
- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.

The repayment profile of loans and borrowings is taken into account during the TfGM's preparation and review of cash flow forecasts which are carried out on a regular basis.

- Overdraft: one of the group's bankers has the right of set-off against certain of the group's bank balances of £2,000 (*2010: £5,000*) in respect of overdrafts, with the same bank, of any group undertaking.
- European Investment Bank: loan period 1993 to 2012 with the remainder repayable in instalments: £1,509,000 in 2011/12 and £1,651,500 in 2012/13. Secured by Statue on all revenues.
- Small Local Authority loans exist from Tameside and Wigan; the remaining balance is payable in periodic instalments, and the balance will have been cleared by 2045. These loans are unsecured.
- Public Works Loan Board loans were taken out to assist with the completion of Metrolink phase 2. The loans were taken out from 1997 to 2000 for a period of approximately 25 years and are repayable in full during 2023 and 2024. Secured by Statue on all revenues.
- DePfa Bank loans were taken out in 2002 for 15-20 years and are repayable in full by 2017 and 2022. Secured by Statue on all revenues.
- Dexia Credit loans were taken out in 2004 for 28-31 years and are repayable in full by 2032-2035. Secured by Statue on all revenues.

19. Reserves

The movements on reserves are disclosed on pages 21 and 22.

Usable Reserves

The usable reserves relate to Revenue Reserves and the Unapplied Capital and Revenue Grants and Contributions Acounts..

Unusable Reserves

Unusable reserves comprise Corporate Capital Reserve, Pension Reserve, Deregulation Reserves and Deferred Capital Grants and Contributions Account.

Corporate Capital Reserve
This primarily relates to the reserves of the entities from which GMPTE was formed.

Pension Reserve
This relates to the net pension liability at 31 March 2011 in accordance with the actuary's report. Further details are shown in Note 20.

Deregulation Reserve
The reserve represents the costs relating to the transfer of GMPTE's bus operations to Greater Manchester Buses Limited following the implementation of the Transport Act 1985. As required by the Act, and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, TfGM transferred its bus operation activities and certain of its assets and liabilities to this new company. The Deregulation Reserve represents payments and losses incurred by TfGM with respect to deregulation on 25 October 1986, which were not charged to profit and loss.

Although there is no legal requirement to amortise this reserve, TfGM acknowledges the prudence of taking steps to reduce the levels of ongoing borrowing by which the deregulation was originally funded. To this end, TfGM commenced transferring the Deregulation Reserve to the revenue reserve from 2006 over a period of 30 years The amount of capital being amortised will increase in future years as interest on the loans supporting the reserve reduces.

Deferred Capital Grants and Contributions Account
The Deferred Capital Grants and Contributions Account represents the value of capital grants received, which are not subject to conditions which may give rise to repayment thereof, less the write off of equivalent depreciation on the value of assets that were supported by the grants.

20. Employee Benefits - Pension Costs

The substantial majority of the employees of TfGM participate in the Greater Manchester Pension Fund ('the Fund') administered by Tameside Metropolitan Borough Council. The scheme is a defined benefit scheme. The fund was valued using the projected unit method. The purpose of the valuation was to determine the financial position of the fund and to recommend the contribution rate to be paid by TFGM and the other participating employers.

The market value of the Fund's assets at 31 March 2010 amounted to £10,835 million. The funding level of the Fund as measured using the actuarial method of valuation was 96.4% as at 31 March 2010.

A full actuarial valuation was carried out at 31 March 2010 by a qualified independent actuary. The principal assumptions used by the actuary at that date were:

Rate of increase in salaries	4.8% per annum
Discount rate	6.3% per annum
Inflation assumption	3.3% per annum

The next full actuarial valuation is scheduled to be undertaken at 31 March 2013.

The pension costs of TfGM, representing the contributions payable to the fund in respect of current employees, are charged to the revenue account in the year in which they are incurred.

Pension contributions paid by TfGM in the year amounted to £2.099 million (*2010: £2.010* million), in respect of current employees. Per the IAS19 Report at 31 March 2011 it is estimated that contributions payable by TfGM for the year to 31 March 2012 will be approximately £2.300 million.

NOTES TO THE ACCOUNTS

Total costs of £0.443 million (*2010: £*0.443 million) were charged to TfGM in respect of unfunded Pension Increase Costs in respect of former employees. Part of the existing surplus on the defined benefit scheme has been used to reduce the amount of these unfunded liabilities.

The following amounts at 31 March 2011 were measured in accordance with the requirements of IAS19, and represent TfGM's share of the Scheme.

Assumptions

Financial Assumptions - as at	**31.03.2011 % p.a.**	**31.03.2010 % p.a.**	**31.03.2009 % p.a.**	**31.03.2008 % p.a.**	**31.03.2007 % p.a.**
Salary increases	4.3%	5.3%	4.6%	5.1%	4.7%
Pension increases	2.8%	3.8%	4.5%	3.6%	3.2%
Discount rate	5.5%	5.5%	6.9%	6.9%	5.4%

Expected return on assets by category - as at	**31.03.2011 % p.a.**	**31.03.2010 % p.a.**	**31.03.2009 % p.a.**	**31.03.2008 % p.a.**	**31.03.2007 % p.a.**
Equities	7.5%	7.8%	7.0%	7.7%	7.8%
Bonds	4.9%	5.0%	5.4%	5.7%	4.9%
Index linked gilts	4.3%	4.5%	4.2%	4.4%	3.6%
Property	5.5%	5.8%	4.9%	5.7%	5.8%
Cash	4.6%	4.8%	4.0%	4.8%	4.9%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

Mortality
Life expectancy is based on the PFA92 and PMA92 year of birth tables, with improvements in line with the medium cohort and a 1% per annum underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current pensioners	20.1 years	22.9 years
Future pensioners	22.5 years	25.0 years

Assets: Valuation - as at	**31.03.2011 £000**	**31.03.2010 £000**	**31.03.2009 £000**	**31.03.2008 £000**	**31.03.2007 £000**
Equities	53,400	38,200	32,200	38,100	40,700
Bonds	12,000	9,600	6,100	9,200	9,300
Index linked gilts	264,400	232,500	252,700	278,200	250,500
Property	4,100	3,200	3,400	5,300	6,000
Cash	18,800	35,000	11,300	23,800	36,400
	352,700	318,500	305,700	354,600	342,900

Net Pension Asset - as at	**31.03.2011 £000**	**31.03.2010 £000**	**31.03.2009 £000**	**31.03.2008 £000**	**31.03.2007 £000**
Fair value of employer assets	352,700	318,500	305,700	354,600	342,900
Present value of scheme liabilities	(317,700)	(358,200)	(264,200)	(279,600)	(332,300)
Net pension (liability)/asset	35,000	(39,700)	41,500	75,000	10,600

	31.03.2011 £000	31.03.2010 £000	31.03.2009 £000	31.03.2008 £000	31.03.2007 £000
Experience gains/(losses) on assets	38,000	17,600	(47,600)	16,500	13,400
	10.8%	5.5%	(15.6)%	4.7%	3.9%
Experience gains/(losses) on liabilities	11,600	(95,200)	16,300	52,300	(1,900)
	3.7%	(26.6)%	6.2%	18.7%	(0.6)%

The figure of £352.7 million shown in the above table for "Fair value of employer assets" is based on the Actuary's estimate of TFGM's share of the total value of the Fund as at 31 March 2011.

Amount recognised in Statement of Comprehensive Income and Expenditure Statement

	31.03.2011 £000	31.03.2010 £000	31.03.2009 £000	31.03.2008 £000	31.03.2007 £000
Actuarial (losses)/gains	49,600	(77,600)	(31,300)	68,800	11,500
Cumulative actuarial (losses)/gains	30,100	(19,500)	58,100	89,400	20,600

The recognition requirements of IAS19 have been applied to the current accounting period. The following amounts have been recognised in the performance statements in the year to 31 March 2011 under the requirements of IAS19.

	2011 £000	2010 £000
Operating Surplus:		
Current service gain / (cost)	(3,200)	(1,600)
Past service gain / (cost)	28,300	(100)
Losses on curtailments and settlements	(200)	(100)
Total operating income / (charge)	24,900	(1,800)
Other finance income:		
Expected return on pension scheme assets	15,400	13,400
Interest cost on pension scheme liabilities	(17,700)	(17,600)
Net cost	(2,300)	(4,200)
Net Revenue Account Return / (Cost):	22,600	(6,000)
Actual return on scheme assets	17,100	31,000

	2011 £000	2010 £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	358,200	264,200
Current service cost	3,200	1,600
Interest on pension scheme liabilities	17,700	17,600
Contributions by members	1,100	1,000
Actuarial (gains) / losses	(11,600)	95,200
Past service (income) / cost	(28,300)	100
Losses on curtailments and settlements	200	100
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	(22,400)	(21,200)
Closing defined benefit obligation	317,700	358,200

Reconciliation of fair value of employer assets

Opening fair value of employer assets	318,500	305,700
Expected return on assets	15,400	13,400
Contributions by members	1,100	1,000
Contributions by employer	2,100	2,000
Contributions in respect of unfunded benefits	400	400
Actuarial gains / (losses)	38,000	17,600
Unfunded benefits paid	(400)	(400)
Benefits paid	(22,400)	(21,200)
Closing fair value of employer assets	352,700	318,500

The IAS19 valuation at 31 March 2011 showed an increase in the fund during the year of £74.7 million (*2010: reduction of £*81.2 *million*), to end the year with a surplus of £35.0 million (*2010: deficit of £39.7 million).*

In order to assess the employer's liabilities in the Fund at 31 March 2011 the actuary has rolled forward the value of employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under this year's IAS19 valuation. In calculating the service cost, the actuary has allowed for changes in TFGM’s pensionable payroll as estimated from contribution information provided. In calculating the asset share, the actuary has rolled forward the employer's share of the assets allocated at the latest formal funding valuation allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the employer and its employees. The actuary has also adjusted the employer’s assets to take account of the IAS19 disclosure requirement to use the bid value of assets.

The IAS19 valuation has been calculated using the projected unit method of valuation to calculate the service cost.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing TfGM’s liabilities in the Pension Fund by £28.3 million and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the Revenue Reserve.

21. Related party disclosures

a) Group companies

These financial statements include the financial statements of TfGM, and its subsidiaries, as follows:

Name of Company	Equity Interest	Nature of business
Charterplan Holidays Limited	100%	Intermediate holding company, vehicle/equipment leasing
Clipwood Limited*	100%	Property company
Dashstone Finance Limited*	100%	Equipment leasing
Powerview Developments Limited*	100%	Property development
St. Johns Leasing Limited*	100%	Equipment leasing
Transport Management Group Limited*	100%	Project consultancy
Greater Manchester Public Transport Information Ltd	51%	Public transport information
Transport for Greater Manchester Limited	100%	Non-trading dormant company

* indirectly owned

TfGM and Manchester City Council are partners in Piccadilly Triangle Developments LLP (PTD LLP). TfGM has a 50% share of PTD LLP. This partnership is for the development of an area of land in Manchester, which commenced in May 2005. PTD LLP made a profit during the year of £106,000 (*2010: £1,174,000*).

In addition to the subsidiaries named above, and PTD LLP, the directors regard GMITA as a related party:

b) As at 31 March 2011 **Greater Manchester Integrated Transport Authority** (GMITA) was the ultimate controlling party, by virtue of its ability to direct the financial and operating policies of TfGM. Under the changes of governance on 1 April 2011 as described in the Directors Report and Explanatory Forward on page 4; GMITA was replaced as the ultimate controlling party by GMCA.

c) Officers

The members of TfGM as listed in the Directors' Report, whether or not they are direct employees of TfGM or its subsidiaries. Members of TfGM exercising control over TfGM through third party entities are as follows:

- Mr D Leather, Chief Executive Officer, is a partner of Ernst and Young LLP. During the year ended 31 March 2011 fees totalling £1,702,000 (*2010: £1,525,000*) were invoiced by Ernst and Young to TfGM and its subsidiary companies for services including advisory services relating to the Metrolink capital programme and the Greater Manchester Transport Fund Programme; programme assurance and other assurance services; the provision of a number of interim staff; taxation advice and fees for the Chief Executive Officer.
- Mr R Morris, Interim Chief Operating Officer, is a director of Parsons Brinkerhoff Limited. During the year ended 31 March 2011, fees totalling £11,784,000 (2010: £8,189,000) were invoiced by Parsons Brinkerhoff Limited to TfGM and its subsidiary companies, predominantly for their role as Delivery Partner for the Metrolink capital programme.

In accordance with TfGM's governance arrangements and procurement procedures, Mr Leather and Mr Morris did not participate in any procurement decisions relating to the organisations from which they were seconded; nor did they authorise the procurement of any services, from the organisations from whom they were seconded.

The Board of Directors does not consider that either Ernst and Young LLP or Parsons Brinkerhoff Limited is a Related Party, and this information is therefore being provided on a voluntary basis.

TfGM has incurred significant expenditure with third parties during the year in respect of the Metrolink capital programme, and the other public transport schemes within the Greater Manchester Transport Fund, as part of a total discretionary revenue and capital spend of approximately £335 million (*2010: £232 million*).

A summary of the transactions in the year, and the balances outstanding at the end of the year, in respect of non-TfGM related parties, is contained within the following table:

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
GMITA - grant-related 2011 (page 9, notes 13 and 16)	543,017	-	53,392	-
GMITA - grant-related 2010 (page 9, notes 13 and 16)	442,984	-	67,075	301
GMITA - short term deposits 2011			30,540	-
GMITA - short term deposits 2010			12,045	-
Piccadilly Triangle Developments 2011	46	-	-	-
Piccadilly Triangle Developments 2010	550	-	-	-

Further details of TfGM's relationship with, and the grants received from GMITA are contained within the Directors' report on page 9 of the accounts. Outstanding balances as at 31 March are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received. No impairment of receivables has occurred during the year.

22. Commitments

	Group and TfGM	
	2011 £000	2010 £000
Capital commitments at balance sheet date	481,173	402,000

Lease commitments

There were no amounts due under external finance leases and hire purchase contracts for either TfGM or the group. There are no annual commitments under non-cancellable operating leases other than for land and buildings, details of which are noted below.

	Group		TfGM	
	2011 £000	2010 £000	2011 £000	2010 £000
Land and buildings				
Operating leases which will expire:				
Within 1 year	124	64	124	64
Within 2 to 5 years	40	164	40	164
Within 6 to 10 years	55	44	55	44
After 10 years	330	330	325	325
	549	602	544	597

23. Contingent liability and contingent asset

A contingent liability exists in respect of certain matters arising in the ordinary course of delivering TfGM's capital programme. In the event that any liability arises, a contingent asset in the form of contractual rights of set off is anticipated.

24. Restatement of financial statements

As stated in Note 1 of the Notes to the Accounts, TfGM has prepared these accounts in accordance with the Accounts and Audit Regulations 2011. Paragraph 17 of the Accounts and Audit Regulations 2011 states that 'A statement of accounts of a Passenger Transport Executive must be prepared as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive'. Proper practices for TfGM are set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (The Code). The 2010/11 Statement of Accounts are the first to be prepared by TfGM in accordance with the Code. Accordingly all comparative amounts for 2009 and 2010 have been re-stated.

Comprehensive income and expenditure statement

Below is a reconciliation showing the movements within the 2010 Financial Statements between UK GAAP and IFRS Code.

		Group £000	TfGM £000
Surplus for year as previously reported per UK GAAP accounts		9,457	9,380
Unrealised (deficit) on revaluation of investment properties which under UK GAAP was previously reported in the Statement of Recognised Gains and Losses		(96)	-
Equivalent movement on Revenue Reserve as reported on pages 21 and 22		9,361	9,380
Elimination of transfer to Deregulation Reserve included in 2010 UK GAAP accounts	a	1,100	1,100
Non-specific grant income - capital grants and contributions	b	189,503	189,503
Deferred Capital Grants and Contributions Account releases	c	(22,804)	(22,804)
Pension fund actuarial valuation adjustment for current service cost		(1,800)	(1,800)
Pension fund actuarial valuation adjustment for finance costs of scheme		(4,200)	(4,200)
Pension fund actuarial valuation adjustment for employer contributions	d	2,400	2,400
Pensions – actuarial gains or losses on pension assets and liabilities	d	(77,600)	(77,600)
Total Comprehensive income and expenditure		95,960	95,979

a) *Transfer to Deregulation Reserve*
Under the IFRS Code transfers between reserves are reported within the movement in reserves statements. Adjustments have been made in respect of the transfers that were incurred during the year ended 31 March 2010.

b) *Non-specific grant income - capital grants and contributions*
Under the IFRS Code capital grants and contributions are credited to the comprehensive income and expenditure statement. Adjustment being made within the movement in reserves statements to transfer the income to the Deferred Capital Grants and Contributions Account.

c) *Deferred Capital Grants and Contributions Account releases*
Elimination of credits arising on the release of capitals grants.

d) *Pension fund* actuarial valuation adjustments and a*ctuarial gains or losses on pension assets and liabilities*
These are adjustments for the FRS17 / IAS19 actuarial valuation of the pension fund. Previously, these had been taken direct to the pension reserve.

Balance Sheets

The effects of this re-statement for the Balance Sheet for 2009 and 2010 are shown in the analysis below. This shows the comparison of the amounts previously reported at 31 March 2009 and 31 March 2010, prepared in accordance with UK GAAP, with those reported in accordance with IFRS, in line with the requirements of the Code.

Balance sheet 2009

		Group			TfGM		
	Notes	2009 UK GAAP £000	Adjust-ment £000	2009 IFRS £000	2009 UK GAAP £000	Adjust-ment £000	2009 IFRS £000
ASSETS							
Non-Current Assets							
Property, plant & equipment	A	285,982	1,174	287,156	285,912	1,244	287,156
Assets under construction	B	288,165	(225)	287,940	287,940	-	287,940
		574,147	949	575,096	573,852	1,244	575,096
Investments		-	-	-	2,758	-	2,758
Investment property	C	369	225	594	-	-	-
Trade and other receivables		2,540	-	2,540	2,540	-	2,540
Net pension assets		41,500	-	41,500	41,500	-	41,500
		618,556	1,174	619,730	620,650	1,244	621,894
Current Assets							
Trade and other receivables	D	73,094	(21,249)	51,845	73,113	(21,249)	51,864
Inventories	E	-	49	49	-	49	49
Cash and cash equivalents	F	667	21,126	21,793	359	21,200	21,559
		73,761	(74)	73,687	73,472	-	73,472
TOTAL ASSETS		**692,317**	**1,100**	**693,417**	**694,122**	**1,244**	**695,366**
LIABILITIES							
Current Liabilities							
Trade and other payables	G	(10,226)	73	(10,153)	(13,324)	-	(13,324)
Accruals and deferred income	H	(40,896)	1,350	(39,546)	(40,838)	1,349	(39,489)
		(51,122)	1,423	(49,699)	(54,162)	1,349	(52,813)
Provisions	I	-	(3,821)	(3,821)	-	(3,821)	(3,821)
Loan capital falling due within one year	J	(1,274)	(1,349)	(2,623)	(1,274)	(1,419)	(2,693)
		(52,396)	(3,747)	(56,143)	(55,436)	(3,891)	(59,327)
Non-Current Liabilities							
Trade and other payables		-	-	-	-	-	-
Provisions	K	(3,821)	3,821	-	(3,821)	3,821	-
Loan capital		(74,887)	-	(74,887)	(74,887)	-	(74,887)
Deferred capital grants	L	(257,403)	257,403	-	(257,403)	257,403	
Capital project grants	M	(288,325)	288,325	-	(288,325)	288,325	
		(624,436)	549,549	(74,887)	(624,436)	549,549	(74,887)
TOTAL LIABILITIES		**(676,832)**	**545,802**	**(131,030)**	**(679,872)**	**545,658**	**(134,214)**
TOTAL ASSETS LESS TOTAL LIABILITIES		**15,485**	**546,902**	**562,387**	**14,250**	**546,902**	**561,152**
FINANCED AS FOLLOWS:							
Reserves as follows:							
Distributable reserves	N	24,952	656	25,608	25,718	207	25,925
Undistributable reserves	O	4,669	(656)	4,013	2,668	(207)	2,461
Deferred Capital Grants and Contributions Account	P	-	546,902	546,902	-	546,902	546,902
Pension Reserve		41,500	-	41,500	41,500	-	41,500
Deregulation Reserve		(55,636)	-	(55,636)	(55,636)	-	(55,636)
		(9,467)	546,246	536,779	(11,468)	546,695	535,227
		15,485	**546,902**	**562,387**	**14,250**	**546,902**	**561,152**

Explanations of the adjustments to the Balance sheet as at 31 March 2009 are provided below.

		Group 2009 £000	TfGM 2009 £000
A	***Property, plant & equipment***		
	Previously reported under UK GAAP	**285,982**	**285,912**
	Reclassification of 'Yellow School Buses' previously held within passenger transport facilities	1,174	1,174
	Capitalisation of assets leased from subsidiary companies	-	70
	Reporting under IFRS	**287,156**	**287,156**
B	***Assets under construction***		
	Previously reported under UK GAAP	**288,165**	**287,940**
	Reclassification of costs previously held as assets under construction to Investment Properties	(225)	-
	Reporting under IFRS	**287,940**	**287,940**
C	***Investment property***		
	Previously reported under UK GAAP	**369**	**-**
	Reclassification of costs previously held as assets under construction to Investment Properties	225	-
	Reporting under IFRS	**594**	**-**
D	***Trade and other receivables***		
	Previously reported under UK GAAP	**73,094**	**73,113**
	Deposits placed with GMITA transferred to 'Cash and cash equivalents' (note F).	(21,200)	(21,200)
	Inventories of route equipment previously included as prepaid expenditure (note E).	(49)	(49)
	Reporting under IFRS	**51,845**	**51,864**
E	***Inventories***		
	Previously reported under UK GAAP	**-**	**-**
	Inventories of route equipment previously included as prepaid expenditure (note D).	49	49
	Reporting under IFRS	**49**	**49**
F	***Cash and cash equivalents***		
	Previously reported under UK GAAP	**667**	**359**
	Deposits placed with GMITA transferred to 'Cash and cash equivalents' (note D).	21,200	21,200
	Adjustment on adopting the proportional method of accounting for Piccadilly Triangle Developments LLP - a jointly controlled entity.	(74)	-
	Reporting under IFRS	**21,793**	**21,559**
G	***Trade and other payables***		
	Previously reported under UK GAAP	**(10,226)**	**(13,324)**
	Adjustment on adopting the proportional method of accounting for Piccadilly Triangle Developments LLP - a jointly controlled entity.	73	-
	Reporting under IFRS	**(10,153)**	**(13,324)**

	Group 2009 £000	TfGM 2009 £000
H Accruals and deferred income		
Previously reported under UK GAAP	**(40,896)**	**(40,838)**
Accrued interest on borrowings transferred to 'Loan capital falling due within 1 year'.	1,349	1,349
Adjustment on adopting the proportional method of accounting for Piccadilly Triangle Developments LLP - a jointly controlled entity.	1	-
Reporting under IFRS	**(39,546)**	**(39,489)**
I Provisions (Current Liabilities)		
Previously reported under UK GAAP	**-**	**-**
Provisions with expectation of being utilised within 12 months transferred from 'Provisions'	(3,821)	(3,821)
Reporting under IFRS	**(3,821)**	**(3,821)**
J Loan capital falling due within one year		
Previously reported under UK GAAP	**(1,274)**	**(1,274)**
Accrued interest on borrowings transferred from 'Accruals and deferred income'	(1,349)	(1,349)
Liability for assets leased from subsidiary companies.	-	(70)
Reporting under IFRS	**(2,623)**	**(2,693)**
K Provisions (Non-Current Liabilities)		
Previously reported under UK GAAP	**(3,821)**	**(3,821)**
Provisions with expectation of being utilised within 12 months transferred to 'Current liabilities'	3,821	3,821
Reporting under IFRS	**-**	**-**
L Deferred capital grants		
Previously reported under UK GAAP	**(257,403)**	**(257,403)**
As part of the reporting under IFRS, the balance of 'Deferred capital grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'. The 'Deferred Capital Grants and Contributions Account' is included within the reserves of TfGM (see note P).	257,403	257,403
Reporting under IFRS	**-**	**-**
M Capital project grants		
Previously reported under UK GAAP	**(288,325)**	**(288,325)**
As part of the reporting under IFRS, the balance of 'Capital project grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'. The 'Deferred Capital Grants and Contributions Account' is included within the reserves of TfGM (see note P).	288,325	288,325
Reporting under IFRS	**-**	**-**
N Distributable Reserves		
Previously reported under UK GAAP	**24,952**	**25,718**
Reclassification of investment property revaluation reserves (note O)	449	-
Reclassification of revaluation reserves	207	207
Reporting under IFRS	**25,608**	**25,925**

	Group 2009 £000	TfGM 2009 £000
O Undistributable reserves		
Previously reported under UK GAAP	**4,669**	**2,668**
Reclassification of prior revaluation surpluses arising on investment properties (see note N).	(449)	-
Reclassification of revaluation reserves (see note N).	(207)	(207)
Reporting under IFRS	**4,013**	**2,461**

	Group 2009 £000	TfGM 2009 £000
P Deferred Capital Grants and Contributions Account (The 'Deferred Capital Grants Account' is included within the reserves of TfGM)		
Previously reported under UK GAAP	**-**	**-**
As part of the reporting under IFRS, the balance of 'Deferred capital grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'.	257,403	257,403
As part of the reporting under IFRS, the balance of 'Capital project grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'.	288,325	288,325
Reclassification of 'Yellow School Buses' previously held within passenger transport facilities	1,174	1,174
Reporting under IFRS	**546,902**	**546,902**

NOTES TO THE ACCOUNTS

Balance sheet 2010

		Group			TfGM		
	Notes	**2010 UK GAAP £000**	**Adjust-ment £000**	**2010 IFRS £000**	**2010 UK GAAP £000**	**Adjust-ment £000**	**2010 IFRS £000**
ASSETS							
Non-Current Assets							
Property, plant & equipment	A	334,391	-	334,391	334,356	35	334,391
Assets under construction	B	403,776	(203)	403,573	403,573	-	403,573
		738,167	(203)	737,964	737,929	35	737,964
Investments		-	-	-	2,758	-	2,758
Investment property	C	295	203	498	-	-	-
Trade and other receivables		275	-	275	275	-	275
Net pension assets		-	-	-	-	-	-
		738,737	-	738,737	740,962	35	740,997
Current Assets							
Trade and other receivables	D	96,559	(12,099)	84,460	96,605	(12,099)	84,506
Inventories	E	-	54	54	-	54	54
Cash and cash equivalents	F	799	12,045	12,844	569	12,045	12,614
		97,358	-	97,358	97,174	-	97,174
TOTAL ASSETS		**836,095**	**-**	**836,095**	**838,136**	**35**	**838,171**
LIABILITIES							
Current Liabilities							
Trade and other payables		(12,332)	-	(12,332)	(15,643)	-	(15,643)
Accruals and deferred income	G	(56,263)	9,866	(46,397)	(56,209)	9,866	(46,343)
		(68,595)	9,866	(58,729)	(71,852)	9,866	(61,986)
Provisions	H	-	(2,099)	(2,099)	-	(2,099)	(2,099)
Loan capital falling due within one year	I	(1,391)	(1,323)	(2,714)	(1,391)	(1,358)	(2,749)
		(69,986)	6,444	(63,542)	(73,243)	6,409	(66,834)
Non-Current Liabilities							
Trade and other payables		-	-	-	-	-	-
Provisions	J	(2,305)	2,099	(206)	(2,305)	2,099	(206)
Net pension liabilities		(39,700)	-	(39,700)	(39,700)	-	(39,700)
Loan capital		(74,300)	-	(74,300)	(74,300)	-	(74,300)
Deferred capital grants	K	(302,829)	302,829	-	(302,829)	302,829	-
Capital project grants	L	(402,229)	402,229	-	(402,229)	402,229	-
		(821,363)	707,157	(114,206)	(821,363)	707,157	(114,206)
TOTAL LIABILITIES		**(891,349)**	**713,601**	**(177,748)**	**(894,606)**	**713,566**	**(181,040)**
TOTAL ASSETS LESS TOTAL LIABILITIES		**(55,254)**	**713,601**	**658,347**	**(56,470)**	**713,601**	**657,131**
FINANCED AS FOLLOWS:							
Reserves as follows:							
Distributable reserves	M	34,409	9,103	43,512	35,098	8,750	43,848
Undistributable reserves	N	4,573	(560)	4,013	2,668	(207)	2,461
Deferred Capital Grants and Contributions Account	O	-	705,058	705,058	-	705,058	705,058
Pension Reserve		(39,700)	-	(39,700)	(39,700)	-	(39,700)
Deregulation Reserve		(54,536)	-	(54,536)	(54,536)	-	(54,536)
		(89,663)	704,498	614,835	(91,568)	704,851	613,283
		(55,254)	**713,601**	**658,347**	**(56,470)**	**713,601**	**657,131**

NOTES TO THE ACCOUNTS

Explanations of the adjustments to the Balance sheet as at 31 March 2010 are provided below.

	Group 2010 £000	TfGM 2010 £000
A Property, plant & equipment		
Previously reported under UK GAAP	**334,391**	**334,356**
Capitalisation of assets leased from subsidiary companies	-	35
Reporting under IFRS	**334,391**	**334,391**
B Assets under construction		
Previously reported under UK GAAP	**403,776**	**403,573**
Reclassification of costs previously held as assets under construction to Investment Properties	(203)	-
Reporting under IFRS	**403,573**	**403,573**
C Investment property		
Previously reported under UK GAAP	**295**	**-**
Reclassification of costs previously held as assets under construction to Investment Properties	203	-
Reporting under IFRS	**498**	**-**
D Trade and other receivables		
Previously reported under UK GAAP	**96,559**	**96,605**
Deposits placed with GMITA transferred to 'Cash and cash equivalents' (note F).	(12,045)	(12,045)
Inventories of route equipment previously included as prepaid expenditure (note E).	(54)	(54)
Reporting under IFRS	**84,460**	**84,506**
E Inventories		
Previously reported under UK GAAP	**-**	**-**
Inventories of route equipment previously included as prepaid expenditure (note D).	54	54
Reporting under IFRS	**54**	**54**
F Cash and cash equivalents		
Previously reported under UK GAAP	**799**	**569**
Deposits placed with GMITA transferred to 'Cash and cash equivalents' (note D).	12,045	12,045
Reporting under IFRS	**12,844**	**12,614**
G Accruals and deferred income		
Previously reported under UK GAAP	**(56,263)**	**(56,209)**
Accrued interest on borrowings transferred to 'Loan capital falling due within 1 year'.	1,323	1,323
Grants received in advance credited to Usable Reserves (note M)	8,543	8,543
Reporting under IFRS	**(46,397)**	**(46,343)**
H Provisions (Current Liabilities)		
Previously reported under UK GAAP	**-**	**-**
Provisions with expectation of being utilised within 12 months transferred from 'Provisions'	(2,099)	(2,099)
Reporting under IFRS	**(2,099)**	**(2,099)**

	Group 2010 £000	TfGM 2010 £000
I Loan capital falling due within one year		
Previously reported under UK GAAP	**(1,391)**	**(1,391)**
Accrued interest on borrowings transferred from 'Accruals and deferred income'	(1,323)	(1,323)
Liability for assets leased from subsidiary companies.	-	(35)
Reporting under IFRS	**(2,714)**	**(2,749)**
J Provisions (Non-Current Liabilities)		
Previously reported under UK GAAP	**(2,305)**	**(2,305)**
Provisions with expectation of being utilised within 12 months transferred to 'Current liabilities'	2,099	2,099
Reporting under IFRS	**(206)**	**(206)**
K Deferred capital grants		
Previously reported under UK GAAP	**(302,829)**	**(302,829)**
As part of the reporting under IFRS, the balance of 'Deferred capital grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'. The 'Deferred Capital Grants and Contributions Account' is included within the reserves of TfGM (see note O).	302,829	302,829
Reporting under IFRS	**-**	**-**
L Capital project grants		
Previously reported under UK GAAP	**(402,229)**	**(402,229)**
As part of the reporting under IFRS, the balance of 'Capital project grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'. The 'Deferred Capital Grants and Contributions Account' is included within the reserves of TfGM (see note O).	402,229	402,229
Reporting under IFRS	**-**	**-**
M Distributable Reserves		
Previously reported under UK GAAP	**34,409**	**35,098**
Grants received in advance credited to Usable Reserves (note G)	8,543	8,543
Reclassification of investment property revaluation reserves (note N)	353	-
Reclassification of revaluation reserves (note N)	207	207
Reporting under IFRS	**43,512**	**43,848**
N Undistributable reserves		
Previously reported under UK GAAP	**4,573**	**2,668**
Reclassification of prior revaluation surpluses arising on investment properties (see note M).	(353)	-
Reclassification of revaluation reserves (see note M).	(207)	(207)
Reporting under IFRS	**4,013**	**2,461**

	Group 2010 £000	TfGM 2010 £000
O Deferred Capital Grants and Contributions Account (The 'Deferred Capital Grants Account' is included within the reserves of TfGM)		
Previously reported under UK GAAP	**-**	**-**
As part of the reporting under IFRS, the balance of 'Deferred capital grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'.	302,829	302,829
As part of the reporting under IFRS, the balance of 'Capital project grants' has been transferred to the 'Deferred Capital Grants and Contributions Account'.	402,229	402,229
Reporting under IFRS	**705,058**	**705,058**

Cash flow statement

Under UK GAAP only the group cash flow statement was presented. Under the IFRS Code both the group and TfGM cash flow statements are presented.

Under the IFRS Code the presentation of the cash flow statement has been revised. As part of the revision, the statement now demonstrates the movement in cash equivalents. Details of the changes to cash and cash equivalents at 1 April 2009 are noted within the section above on restatement of the balance sheet.

25. Post balance sheet events

On 1 April 2011, as part of establishment of the Greater Manchester Combined Authority, GMPTE was renamed Transport for Greater Manchester and assumed additional powers and responsibilities with respect to transport activities, in particular with respect to highways.