

TfL Pension Fund

(formerly LRT Pension Fund)

Report and accounts

For the year to 31 March 2005



TfL Pension Fund

Report and Accounts for the Year to 31 March 2005

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Administration Office

TfL Pension Fund, Wing Over Station, 55 Broadway, London SW1H 0BD Telephone (020) 7918 3733

Requests for a copy of the Trust Deed and Rules of the Fund and enquiries about the Fund generally, or about an individual's entitlement to benefit, should be addressed to the TfL Pension Fund Office at the above address. The Report and Accounts may be viewed on the TfL Pension Fund's Website, www.tflpensionfund.co.uk.

Pension Schemes Registry scheme reference number: 101653517

TfL Pension Fund

Organisation and Advisers as at 31 March 2005

Trustee

TfL Trustee Company Limited (formerly known as the LRT Pension Fund Trustee Company Limited)

Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

SR Critchley (Chairman)	Chief Finance Officer, Transport for London (TfL)
MS Ainsworth	Head of Business Planning & Support, Surface Transport, Transport for London (TfL)
SD Allen	Director of Corporate Finance, Transport for London (TfL)
GF Duffy	Director of Employee Relations, London Underground Limited (TfL)
JC Godbold	Director, Transport Benevolent Fund (PCC)
AJ Good	Director of Human Resources, Tube Lines Limited (TfL)
S Grant	District Organiser, ASLEF (ASLEF)
JM Hamilton	Station Assistant Multi Functional, London Underground Limited (TSSA)
JV Hart	Senior Dispute Resolution Lawyer, Transport for London (TfL)
NG Holness	Service Director BCV, London Underground Limited (TfL)
HJ Hood	Director of Group Human Resources Services, Transport for London (TfL)
JE Ingleton	Pensioner (PCC)
CA Miller	Pensioner (PCC)
TJ Robson	Train Operator, Arnos Grove, London Underground Limited (PCC)
TC Scanlon	Regional Industrial Organiser, T&GWU (T&GWU)
PW Sikorski	Assistant General Secretary, RMT (RMT)
JB Timbrell	Project Engineer, Metronet SRA (LTJTC)
PJ Worthington	Head of Reward & HR Systems, Metronet Rail SSL Limited (TfL)

Principal Employer

Transport for London

Scheme Actuary

RV Williams, Watson Wyatt LLP

Participating Employers

Transport for London
Transport Trading Limited
Victoria Coach Station Limited
London Bus Services Limited
London Buses Limited
London River Services Limited
London Underground Limited
British Transport Police Authority
Cadbury Limited
Capgemini UK plc
Cubic Transportation Systems Limited
EDF Energy Powerlink Limited
Electronic Data Systems Limited
Instant Library Limited
Metronet Rail BCV Limited
Metronet Rail SSL Limited
Thales Communications Services Limited
Tube Lines Limited

Bankers

The Royal Bank of Scotland plc

Communications Adviser

GR Communications

Investment Adviser

Mercer Investment Consulting

Investment Managers

Alliance Capital Limited
Baillie Gifford & Co.
Barclays Global Investors Limited
Henderson Investors Limited
Nomura Asset Management UK Limited

Custodian

JP Morgan Chase Bank

AVC Providers

Clerical Medical
Equitable Life
Standard Life

Secretary to the Trustees

SJ Timbrell

Auditors

KPMG LLP

Medical Adviser

Prof. K Holland-Elliott

Legal Advisers

Mayer, Brown, Rowe & Maw LLP

TfL Pension Fund

Chairman's Introduction

I am pleased to present my review of the year ended 31 March 2005. Once again, this year has been a period of considerable change for both the Fund and the Trustee Board. Several Trustees have retired, in some cases after long and distinguished service. I wish to record my thanks to them. At the same time I am pleased to report that with new appointments the Trustee Board was at full strength at year-end.

A major restructuring of the Fund Office has taken place over the past year. Many of the current staff have had to adapt to new roles, while overall numbers have decreased. Such periods of change are always challenging, but the staff have responded admirably, and the result is a more modern, efficient and effective Fund Office structure.

The Fund became the TfL Pension Fund in April 2005, following the transfer of the Fund's Principal Employer status to Transport for London in July 2003. At the same time the Trustee company name changed to the TfL Trustee Company Limited. As part of the change the world famous 'roundel' logo will now be used for all pensions communications.

A key feature of the year's accounts is the higher employer contributions which increased from £85million to £170 million. The change was the result of the revised Schedule of Contributions agreed between the Fund and the employer, which reflects each section's funding position following the triennial valuation in March 2003.

Following last year's Investment Strategy review and Asset Liability Modelling Study (ALMS), the Trustees and the Fund's Investment Adviser updated the Investment Strategy. The updated Strategy recognises the relative financial strengths of TfL and the other employers, and the need to secure pensions while taking appropriate levels of risk. Following the update of the Investment Strategy, the Fund's asset allocation was reviewed and as a result the bond mandate is being widened to embrace global bonds, with the aim of improving returns without introducing undue risk. Subsequent to the year-end Goldman Sachs have been appointed to manage the new bond mandate.

Turning to investment performance, our Fund is well equipped to meet short-term market fluctuations as it is invested in well-diversified portfolios with a view to long-term security. The Fund exceeded its benchmark performance by 0.4% and increased its value by 11.4% to £3.5 billion at year-end. Action was taken to improve the performance of our Far East equity portfolio, with the appointment of new investment manager Nomura. The Fund's final property was sold during the year thereby completing the exit from direct property holdings.

The Government has undertaken a far-reaching review of company pensions and we are faced with a significant number of challenges. Most of the changes are aimed at making pensions simpler and more secure. These changes were communicated in the Fund's first newsletter in March 2005, which was sent to all members and has been well received. Some details remain unclear, but the Trustees are monitoring the changes closely to ensure that the Fund responds appropriately to them.

Finally, I would like to record my thanks to all involved with the continued operations and development of the Fund: the Trustee Directors, Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and Fund Secretary for their support in a demanding year. There is much to be concluded and new challenges ahead but I am confident that the Fund will continue to prosper.

Chairman
14 July 2005

TfL Pension Fund

Report of the Directors of TfL Trustee Company Limited

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2005.

The names of the LRT Pension Fund and the LRT Pension Fund Trustee Company Limited changed to the TfL Pension Fund and the TfL Trustee Company Limited respectively on 1 April 2005.

1. Management of the Fund

(a) The Trustee

The Trustee is required to act in accordance with the Trust Deed and Rules of the Fund, within the framework of pension and trust law. It is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

(b) Board of Directors

The Board of the Trustee is made up of 18 Directors as set out on page 2. Full details of how Directors are nominated are given in the Compliance Statement starting on page 23.

Directors serve for such period as their nominating body determines, or until that body withdraws their nomination or, in the case of a nominee from the TfL Pension Consultative Council (PCC), they cease to be a member of the TfL Pension Consultative Council.

The following changes to directors occurred during the year to 31 March 2005:

Director	Replaced by	Nominating body	Date
SM Phelan	PJ Worthington	TfL	16 June 2004
MA Gardiner	GF Duffy	TfL	15 July 2004
J Pownall	JV Hart	TfL	15 September 2004
GJ Belton	TJ Robson	PCC	15 September 2004
AM Taylor	JM Hamilton	TSSA	15 December 2004
EA Barrett	HJ Hood	TfL	26 January 2005
AE Barnes	CA Miller	PCC	24 March 2005
SJ Timbrell	NG Holness	TfL	16 June 2004 - Resignation 24 March 2005 - Appointment

The table below shows the number of meetings attended by each Director in the year to 31 March 2005 for which they were eligible to attend including attendance at scheduled Trustee Board meetings and Committee meetings.

TfL Nominated Trustees	No. of meetings	No of attendances	Non-TfL Nominated Trustees	No. of meetings	No of attendances
MS Ainsworth	12	10	AE Barnes	12	7
SD Allen	12	10	GJ Belton	5	3
EA Barrett	7	1	JC Godbold	10	10
SR Critchley	12	10	S Grant	15	11
GF Duffy	11	7	JM Hamilton	2	2
MA Gardiner	3	2	JE Ingleton	12	11
AJ Good	12	7	CA Miller	1	1
JV Hart	7	5	TJ Robson	7	7
NG Holness	1	1	TC Scanlon	12	9
HJ Hood	2	1	PW Sikorski	9	4
SM Phelan	2	1	AM Taylor	6	0
J Pownall	5	5	JB Timbrell	16	15
SJ Timbrell	2	2			
PJ Worthington	13	10			

The average attendance at scheduled Trustee Board and Committee meetings was 76% and 71% respectively.

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(c) Committees of the Board of Directors

Whilst the Board of the Trustee decides all policy matters, it has recognised that committees are necessary in carrying out its functions in respect of the TfL Pension Fund efficiently and that the exercise of all delegated authority, when not directly supervised by the Board, shall be supervised by a committee.

For this purpose the Board has set up an Investment Committee, an Audit Committee, an Operations Committee, a Disputes Resolution Committee and an Appeals Committee. Each Committee comprises either four, six or eight Directors of the Trustee, half of whom are TfL nominated Directors and half of whom are non-TfL nominated Directors.

Further information regarding the management of the Fund is contained in the Compliance Statement on page 23.

2. Financial review

The Accounts of the Fund for the year to 31 March 2005 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

The net assets of the Fund, that is the investment assets including the AVC scheme, the fixed assets held for own use and the net current assets, amounted to £3,516.3m at 31 March 2005. The increase of £359.9m, compared with the value at 31 March 2004 of £3,156.4m, was made up as follows:

	<u>2005</u> £m	<u>2004</u> £m
Net returns on investments	337.4	543.4
Net additions/(withdrawals) from dealings with members	22.5	(51.7)
	<u>359.9</u>	<u>491.7</u>

Net returns on investments comprised increased market value of investments of £280.6m (2004: £487.5m) and investment income of £61.5m (2004: £60.5m) offset by investment management expenses of £4.7m (2004: £4.6m). The increase in market value of investments was made up of unrealised investment gains of £277.0m (2004: £515.8m) and realised investment gains of £3.6m (2004: losses of £28.3m)

The increase in the value of investments was enhanced by the net additions from dealings with members, as contributions receivable plus transfers in from other schemes exceeded benefits payable, payments to and on account of leavers and administrative expenses.

The net additions from dealings with members were £22.5m (2004: withdrawals of £51.7m). The additions primarily comprised contributions which increased by £88.6m as a consequence of the revised employer contribution multiples, additional cash contributions and the annual increase in salaries. Under the Rules of the Fund, the administrative costs of the Fund, which remained broadly unchanged from last year, are borne by the Fund itself. Benefits payable increased by £11.2m, mainly as a result of increases in pensions and lump sum retirement benefit payments.

Further details of the financial movements of the Fund may be found in the audited Accounts on pages 9 to 15.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 42.

3. Recertification of Schedule of Contributions

Eight sections of the Fund had minimum funding requirement (MFR) funding levels that were below 100% at the date of the last actuarial valuation (see page 28). Legislation requires the Scheme Actuary to review annually whether the contributions payable to these sections remain adequate for MFR purposes. This year's review led the Scheme Actuary to conclude that they were still adequate for only three of these sections and certificates to this effect are included on pages 34 to 37. A review is being conducted of the rates of contributions payable to the five sections whose current contributions were found to be inadequate for MFR purposes, so that new contribution rates can be agreed by the end of September 2005 as required by legislation.

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4. Changes in membership during the year

During the year to 31 March 2005 total membership increased by 357 to 82,313. This figure comprises an increase in contributing members of 191, an increase in deferred pensioners of 125, an increase in dependants and eligible children of 64 and a decrease in pensioners of 23.

	2004/ 2005	2004/ 2005	2003/ 2004	2003/ 2004	Change
Contributing members as at 1 April	22,176		21,277		
Joiners	2,035		2,579		
	<u>24,211</u>		<u>23,856</u>		
Contributing members retiring	(472)		(533)		
Leavers taking a refund of contributions	(439)		(453)		
Leavers becoming deferred pensioners	(782)		(513)		
Leavers taking an ill health lump sum	(6)		(4)		
Leavers through opting out	(127)		(145)		
Deaths in service	(18)		(32)		
Contributing members as at 31 March		22,367		22,176	+191
Deferred pensioners as at 1 April	18,654		18,794		
Leavers becoming deferred pensioners	802		513		
	<u>19,456</u>		<u>19,307</u>		
Deferred pensions coming into payment	(589)		(518)		
Deferred taking a refund of contributions	-		(2)		
Deferred pensioners transferring to other schemes	(68)		(97)		
Deferred pensioner deaths	(20)		(36)		
Deferred pensioners as at 31 March		18,779		18,654	+125
Pensioners as at 1 April	30,296		30,469		
Contributing members retiring	472		533		
Deferred pensions coming into payment	589		518		
	<u>31,357</u>		<u>31,520</u>		
Persons ceasing to be eligible for ill health pension	(46)		(49)		
Pensioner deaths	(1,038)		(1,175)		
Pensioners as at 31 March		30,273		30,296	-23
Dependants as at 1 April	10,269		10,290		
Dependants becoming entitled to pensions	865		748		
	<u>11,134</u>		<u>11,038</u>		
Dependant deaths	(852)		(769)		
Dependants as at 31 March		10,282		10,269	+13
Eligible children as at 1 April	561		548		
Children becoming entitled to pensions	161		176		
	<u>722</u>		<u>724</u>		
Children ceasing to be eligible	(110)		(163)		
Eligible children as at 31 March		612		561	+51
Total membership as at 31 March		<u>82,313</u>		<u>81,956</u>	<u>+357</u>

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Details of contributing members by Participating Employer as at 31 March 2005 were as follows:

	2004/ 2005	2004/ 2005	2003/ 2004	2003/ 2004	Change
		%		%	
TfL	16,341	73.06	16,148	72.82	+193
Metronet Rail BCV Limited	2,144	9.59	2,075	9.36	+69
Metronet Rail SSL Limited	2,029	9.07	1,994	8.99	+35
Tube Lines Limited	1,599	7.15	1,695	7.64	-96
EDF Energy Powerlink Limited	162	0.72	167	0.75	-5
Electronic Data Systems Limited	36	0.16	37	0.17	-1
Cubic Transportation Systems Limited	34	0.15	36	0.16	-2
Instant Library Limited	7	0.03	9	0.04	-2
British Transport Police Authority	6	0.03	6	0.03	-
Cadbury Limited	5	0.02	5	0.02	-
Thales Communications Services Limited	3	0.01	3	0.01	-
Capgemini UK plc	1	0.01	1	0.01	-
Total	22,367	100.00	22,176	100.00	+191

5. Pension increases

Deferred members and pensioners whose pension commenced on or before 1 April 2003 received an increase, with effect from 1 April 2004, of 2.8%, based, in accordance with the Fund Rules, on the increase in the Retail Price Index for the year to September 2003. For pensioners whose pension commenced after 1 April 2003, the increase was reduced pro-rata.

Increases to pensions in payment and deferred pensions over the past five years have been as follows:

April 2000	1.1%
April 2001	3.3%
April 2002	1.7%
April 2003	1.7%
April 2004	2.8%

6. Government pension changes

The Government is implementing a number of changes concerning pensions with the objective of making the provision of members' benefits simpler and more secure. Many of these changes will introduce new requirements which the Fund already meets or exceeds. Details of the changes were included in a newsletter, which was sent to members in March 2005. Some of the details remain unclear but the Trustees continue to closely monitor these developments to ensure the Fund responds appropriately and will communicate to members when information becomes available.

7. Approval of the Report of the Directors of the Trustee

The Investment Report on page 18 and the Compliance Statement on page 23 form part of this Report of the Directors of the Trustee.

This Report was approved by the Directors of TfL Trustee Company Limited on 14 July 2005 and was signed on their behalf by:

SR Critchley

JB Timbrell

Directors
TfL Trustee Company Limited

TfL Pension Fund

Independent Auditors' Report to the Trustee of TfL Pension Fund

We have audited the Accounts which are set out on pages 9 to 15.

This report is made solely to the Fund's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditors

The Fund's Trustee is responsible for obtaining an annual report, including audited accounts prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of Trustee's responsibilities on pages 23 and 24.

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the Accounts give a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information contained in the Annual Report and Accounts and consider whether it is consistent with those Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the Accounts.

Opinion

In our opinion, the Accounts show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2005 and of the amount and disposition at that date of the assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Fund year) and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.



KPMG LLP
Chartered Accountants
Registered Auditor
LONDON
14 July 2005

TfL Pension Fund

Fund Account

For the year ended 31 March 2005

	<u>Note</u>	<u>2005</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Dealings with members					
Contributions receivable	3	202,847		114,220	
Individual transfers in from other schemes		8,029		10,382	
		<u>210,876</u>		<u>124,602</u>	
Benefits payable	4	182,455		171,213	
Payments to and on account of members leaving	5	2,511		1,439	
Administrative expenses	6	3,495		3,632	
		<u>188,461</u>		<u>176,284</u>	
Net additions/(withdrawals) from dealings with members			22,415		(51,682)
Returns on investments					
Investment income	7	61,470		60,543	
Change in the market value of investments	8	280,635		487,431	
Investment management expenses	9	(4,666)		(4,590)	
			337,439		543,384
Net returns on investments					491,702
Net increase in assets during year			359,854		491,702
Net assets at beginning of year			3,156,418		2,664,716
Net assets at end of year			<u>3,516,272</u>		<u>3,156,418</u>

Net Assets Statement

As at 31 March 2005

	<u>Note</u>	<u>2005</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Investment assets at market value	8		3,503,384		3,156,143
Fixed assets held for own use	10		112		72
Current assets					
Prepayments and accrued income	14	10,569		1,550	
Cash balances		5,533		2,826	
		<u>16,102</u>		<u>4,376</u>	
Current liabilities					
Creditors	11	3,287		3,704	
Bank overdrafts	12	39		469	
		<u>3,326</u>		<u>4,173</u>	
Net current assets			12,776		203
Net assets at end of year			<u>3,516,272</u>		<u>3,156,418</u>

The Notes on pages 10 to 15 form part of these Accounts.

These Accounts were approved by the Board of Directors of TfL Trustee Company Limited on 14 July 2005 and were signed on their behalf by:

SR Critchley

JB Timbrell

Directors
TfL Trustee Company Limited

TfL Pension Fund

Notes to the Accounts

1. Basis of preparation

The Accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. The Accounts do not take account of the obligations to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statements and certificates by the Actuary on pages 27 to 41 and these Accounts should be read in conjunction with those statements.

2. Accounting policies

(a) Inclusion of income and expenditure

(i) *Contribution income*

Members' contributions are 5% of their contributory pensionable salary and are accounted for when deducted from members' pay. Employers' contributions are a multiple of the members' contributions, subject to fixed cash additions or deductions. Employers' contribution levels are determined by the Principal Employer on the advice of the Actuary following an actuarial review. All employers paid their respective contributions in accordance with the Schedule of Contributions as shown on page 38. Employers' contributions are accounted for in the period to which the corresponding pay relates.

(ii) *Transfers to and from other schemes*

Transfer payments in respect of members transferred to and from the Fund during the year are included in the Accounts on a receipts and payments basis.

(iii) *Benefits payable*

Benefits payable are accounted for on the basis of entitlement during the year in accordance with the Rules of the Fund. Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustees of their decisions as to what form of benefit they will take.

(iv) *Investment income*

Dividends from securities are credited to income when the investments are declared ex-dividend. Other investment income is accounted for on an accruals basis. Dividends and interest are grossed up for the amount of any taxation recoverable.

(v) *Investment management expenses*

Investment management expenses are accounted for on an accruals basis. Performance related investment management expenses are accounted for at the time they become due for payment under the terms of the appropriate Investment Management Agreement.

(vi) *Foreign currency translation*

Foreign income is translated into sterling at the rate ruling on the date the income is received. Income accrued at the year end is translated at the rate ruling at the end of the Fund year. Investments denominated in foreign currencies are translated using the sterling rate of exchange ruling at the end of the Fund year. Exchange gains and losses arising on translation of investment balances are included in the change in market value of investments shown in Note 8.

(vii) *Additional voluntary contributions (AVCs)*

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

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(viii) Depreciation

Expenditure on fixed assets held for own use has been capitalised to reflect the economic usefulness of the assets to the Fund. Depreciation of fixed assets held for own use is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	-	5 years
Furniture	-	5 years

(b) Valuation of investments

Investments are included in the Net Assets Statement at their market values which are determined as follows:

- (i) UK and foreign securities quoted on a recognised stock exchange are stated at mid-market values ruling on 31 March 2005;
- (ii) fixed interest securities are valued at their clean prices. Accrued income is accounted for within investment income;
- (iii) pooled investment vehicles (managed funds) are stated at the average of the latest bid and offer prices quoted by the trust managers prior to 31 March 2005;
- (iv) unquoted securities are stated at the Trustee's valuation at 31 March 2005 based on the advice of the Fund's investment managers;
- (v) short-term deposits are valued at cost at 31 March 2005 taking into account gains or losses on foreign currency;
- (vi) AVC investments are shown at the values advised by the AVC providers.

3. Contributions receivable

	<u>2005</u> £'000	<u>2004</u> £'000
Members		
Ordinary	30,569	27,240
Additional voluntary contributions	2,204	2,292
	<u>32,773</u>	<u>29,532</u>
Employers		
Ordinary	170,057	84,688
Special contributions	17	-
	<u>170,074</u>	<u>84,688</u>
Total contributions receivable	<u>202,847</u>	<u>114,220</u>

4. Benefits payable

	<u>2005</u> £'000	<u>2004</u> £'000
On or during retirement		
Pensions	159,190	152,800
Commutation of pensions and lump sum retirement benefits	18,782	13,922
Death benefits		
Lump sum payments	4,483	4,491
Total benefits payable	<u>182,455</u>	<u>171,213</u>

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5. Payments to and on account of members leaving

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Individual transfers out to other schemes	1,812	825
Gross refunds of contributions to members	413	352
State scheme premiums	286	262
Total payments to and on account of members leaving	<u>2,511</u>	<u>1,439</u>

6. Administrative expenses

	<u>2005</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Staff costs				
Payroll	1,913		1,810	
Recruitment and training	29		50	
		1,942		1,860
Establishment costs				
Accommodation	274		241	
Computer costs	217		210	
Telecommunications	24		27	
Depreciation	44		84	
		559		562
Professional fees				
Legal fees	164		157	
Audit fees	47		44	
Actuarial fees	335		434	
Medical fees	58		47	
Other professional fees	160		151	
		764		833
Communication				
Distribution	79		178	
Printing	84		125	
		163		303
Consumables				
Stationery	12		14	
Microfilm	4		4	
General	51		56	
		67		74
Total administrative expenses		<u>3,495</u>		<u>3,632</u>

7. Investment income

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Income from fixed interest securities	24,345	26,319
Dividends from equities	32,337	27,499
Income from index-linked securities	2,969	4,045
Income from pooled investment vehicles	341	449
Net income from properties	5	219
Interest on cash deposits	1,239	809
Income from securities lending	147	232
Income from commission recapture	87	101
Reduction in the provision for taxation	-	820
Other investment income	-	50
Total investment income	<u>61,470</u>	<u>60,543</u>

TfL Pension Fund

8. Investment assets at market value

	<u>2005</u> £'000	<u>2005</u> £'000	<u>2004</u> £'000	<u>2004</u> £'000
Fixed interest securities				
UK public sector quoted	185,094		198,912	
Other UK quoted	290,882		257,022	
Overseas public sector quoted	18,759		-	
		494,735		455,934
Equities				
UK quoted	773,260		656,736	
Overseas quoted	228,911		210,103	
		1,002,171		866,839
Index-linked securities				
UK quoted	129,217		121,018	
		129,217		121,018
Pooled investment vehicles				
Managed funds - Fixed interest	125,850		119,306	
- Index-linked	351,792		329,788	
- Equities	1,323,698		1,170,038	
Unit trusts - UK non-property	14,266		27,819	
- UK property	1,687		1,687	
		1,817,293		1,648,638
Property				
UK freehold		-		3,413
Other investment balances				
Accrued income	8,264		7,729	
Investment creditors	(1,743)		(1,728)	
Unsettled transactions	2,516		(1,160)	
		9,037		4,841
Sterling cash deposits				
		23,874		30,154
AVC scheme investments				
		27,057		25,306
Total investment assets		<u>3,503,384</u>		<u>3,156,143</u>

Change in value of the Investment assets	Value at 1 April 2004 £'000	Purchases At cost £'000	Sale Proceeds £'000	Change in Market Value £'000	Value at 31 March 2005 £'000
Fixed interest securities	455,934	1,049,163	1,013,476	3,114	494,735
Equities	866,839	670,363	626,013	90,982	1,002,171
Index-linked securities	121,018	99,328	95,383	4,254	129,217
Pooled investment vehicles	1,648,638	255,430	267,002	180,227	1,817,293
Property	3,413	-	3,416	3	-
Other investment balances	4,841	4,211	15	-	9,037
Cash deposits	30,154	-	6,593	313	23,874
AVC investments	25,306	2,421	2,412	1,742	27,057
Total investment assets	<u>3,156,143</u>	<u>2,080,916</u>	<u>2,014,310</u>	<u>280,635</u>	<u>3,503,384</u>

The investments in pooled investment vehicles are managed by companies registered in the UK.

At the 31 March 2005 £48m of investments were loaned under a securities lending programme against collateral of £51m comprising £19m Gilts and £32m cash (2004 £110m loaned against £115m collateral).

TfL Pension Fund

The Fund's investment in the following managed funds represented more than 5% of the net assets at the 31 March 2005:

	£'000
BGI Aquila Life Europe Equity Index Fund Series 1	387,289
BGI Ascent Life UK Equity Fund Series 1	357,081
BGI Aquila Life Over 5 Years Index-Linked Index Fund Series 1	351,792
BGI Aquila Life UK Equity Index Fund Series 1	272,151
BGI Aquila US Equity PFPV New Pension Fund	251,078

During the year Equitable Life, Clerical Medical and Standard Life had delegated responsibility for the investment and administration of the Fund's Additional Voluntary Contribution (AVC) plan. Member's contributions are deducted from their pay by the employers and are paid direct to the providers, where they are invested on behalf of the individuals concerned and in accordance with their instructions to provide additional pension benefits, within the overall limits laid down by the Inland Revenue. Each member contributing to the AVC plan receives an annual benefit statement of their account. At the 31 March 2005, £16,234,000 (2004 £16,151,000) of the Fund's AVC investments were managed by Equitable Life, £10,216,000 by Clerical Medical (2004 £8,859,000) and £607,000 by Standard Life (2004 £296,000).

There were no employer-related investments at any time during the year ended 31 March 2005.

9. Investment management expenses

	<u>2005</u> £'000	<u>2004</u> £'000
Administration, management and custody	4,480	4,454
Performance measurement services	18	14
Other advisory services	168	122
Total investment management expenses	<u>4,666</u>	<u>4,590</u>

10. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2004</i>	934	126	1,060
Additions	65	19	84
Withdrawals	(71)	(5)	(76)
<i>Cost at 31 March 2005</i>	<u>928</u>	<u>140</u>	<u>1,068</u>
<i>Accumulated depreciation at 1 April 2004</i>	864	124	988
Depreciation charge for the year	38	6	44
Withdrawals	(71)	(5)	(76)
<i>Accumulated depreciation at 31 March 2005</i>	<u>831</u>	<u>125</u>	<u>956</u>
Net book value at 1 April 2004	<u>70</u>	<u>2</u>	<u>72</u>
Net book value at 31 March 2005	<u>97</u>	<u>15</u>	<u>112</u>

11. Creditors

	<u>2005</u> £'000	<u>2004</u> £'000
Unpaid benefits	1,217	785
Accruals and deferred income	2,070	2,919
Total creditors	<u>3,287</u>	<u>3,704</u>

TfL Pension Fund

12. Bank overdrafts

Bank overdrafts represent cheques drawn but not presented for payment by 31 March 2005. Interest is not payable on these sums.

13. Related parties

The Fund has received contributions in respect of Directors of the Trustee who are also contributing members of the Fund. The Fund has paid benefits to Directors of the Trustee who are also beneficiaries of the Fund.

Transport for London pays administration and investment expenses on behalf of the Fund and subsequently recharges these to the Fund. At the 31 March 2005, £416,000 (2004 £201,000) has been included in creditors in respect of administration expenses rechargeable to the Fund.

All of the above transactions are in accordance with the Rules of the Fund.

14. Contributions due at the year-end

Contributions due at the year-end have been paid subsequent to the year-end in accordance with the Schedule of Contributions.

TfL Pension Fund

Trustee's Summary of Contributions payable under the schedule in respect of the scheme year ended 31 March 2005

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Fund's Trustee. It sets out the employer and member contributions payable to the scheme under the Schedule of Contributions certified by the Scheme Actuary on 10 March 2004 in respect of the scheme year ended 31 March 2005. The scheme auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Contributions payable under the schedule in respect of the scheme year	£'000
<i>Employers</i>	
Normal contributions	170,057
<i>Members</i>	
Normal contributions	30,569
Contributions payable under the Schedule	<u>200,626</u>

Reconciliation of contributions payable under the schedule to contributions reported in the accounts in respect of the scheme year	£'000
Contributions payable under the Schedule (as above)	200,626
Contributions payable in addition to those due under the Schedule	
Member additional voluntary contributions	2,204
Additional employer contributions	17
Total contributions reported in the accounts	<u>202,847</u>

This Report was approved by the Directors of the TfL Trustee Company Limited on 14 July 2005 and was signed on their behalf by:

SR Critchley

JB Timbrell

Directors
TfL Trustee Company Limited

TfL Pension Fund

Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of TfL Pension Fund

We have examined the summary of contributions payable under the Schedule of Contributions to the TfL Pension Fund in respect of the Fund year ended 31 March 2005 which is set out on page 16.

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of the Fund's Trustee and auditors

As described on page 24, the Fund's Trustee is responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund. The Trustee has a general responsibility for procuring that contributions are made to the Fund in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid to the Fund under the Schedule of Contributions and to report our opinion to you.

We read the Trustee's report and other information in the Annual Report and consider whether it is consistent with the Summary of Contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary of Contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the Summary of Contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions. Our statement about contributions is required to refer to those breaches of the Schedule which come to our attention in the course of our work.

Statement about contributions payable under the Schedule

In our opinion contributions for the Fund year ended 31 March 2005 as reported in the Summary of Contributions and payable under the Schedule have been paid in accordance with the Schedule of Contributions certified by the actuary on 10 March 2004.



KPMG LLP

Chartered Accountants
Registered Auditor
LONDON
14 July 2005

TfL Pension Fund

Investment Report

1. Investment policy (excluding AVC investments)

Most of the Fund's investment assets were invested and administered by the investment managers, whose names appear on page 2. The investment managers employed during the financial year ended 31 March 2005 had discretion to invest as they saw fit within the asset classes and geographical limitations laid down by the Directors. Certain legacy investments amounting to no more than 1% of total assets are administered in-house but the Directors take appropriate investment advice in the disposition of these assets.

Investment managers' fees are primarily based on the market value of the Fund and, in the case of the active managers, performance (subject to upper and lower limits), but commissions and fees are also charged on investment transactions.

The Directors measure the Fund's performance against the benchmark below based on the long-term strategic asset allocation.

Benchmark Summary at 31 March 2005

Sector	Weight (%)	Comparison Basis
UK Equities	39.00	FTSE All-Share
UK Index-Linked Gilts	16.25	FTSE A ILG (Over 5 Years)
European Equities	10.20	FTSE W Europe ex UK
UK Non-Gilt Bonds	10.00	ML Stlg NonGilt 10+
UK Gilts	8.75	CAPS FTSE A Over 10 Years Gilt
US Equities	7.90	FTSE AW USA
Japanese Equities	4.30	FTSE AW Japan
Pacific Basin (excluding Japan) Equities	3.60	FTSE W Asia Pacific ex Japan
	<u>100.00</u>	

Each of the active managers has been set a target based on out-performance of a relevant index over rolling three-year periods. The Directors believe the target allocation set out below will maintain an appropriate balance between risk minimisation and return maximisation given the current and future liabilities of the Fund.

Portfolio	% of Fund	Manager
<i>Core</i>		
Index tracking - all asset classes	41.9	Barclays Global Investors Limited
<i>Active Specialist</i>		
Bonds	20.0	Henderson Investors Limited
UK equities 1	11.0	Alliance Capital Limited
UK equities 2	11.0	Baillie Gifford & Co.
UK equities 3	9.6	Barclays Global Investors Limited
Pacific Basin equities	6.5	Nomura Asset Management UK Limited
	<u>100.0</u>	

The allocation of index tracking funds to market categories is regularly rebalanced to ensure that the total fund is allocated in accordance with the strategic guidelines. The Directors maintain a Statement of Investment Principles as required by the Pensions Act 1995 and the latest version is available on request from the Fund Office at the address given on page 1.

TfL Pension Fund

2. Investment overview

The investment assets of the Fund as at 31 March 2005, including AVC investments, had a market value of £3,503.4m, an increase of £347.3m compared to their market value, including AVC investments, of £3,156.1m as at 31 March 2004. Investment income amounted to £61.5m for the year to 31 March 2005 compared to £60.5m for the year to 31 March 2004.

The bulk of the assets held by the active managers are quoted on the main worldwide stock exchanges and are marketable. The assets held with Barclays Global Investors Limited (BGI) are also marketable. A small proportion of the Fund's assets are less readily marketable.

The income and maturity values of the holdings in UK government stocks are secure but capital values may fluctuate. The other assets have less secure income streams and capital values may also fluctuate.

3. Analysis of investments

A detailed analysis of the investment assets of the Fund at 31 March 2005 is shown below.

	2005		2004	
	£m	%	£m	%
Fixed interest securities	494.7	14.1	455.9	14.4
Equities - UK	773.3	22.1	656.7	20.8
- Other	228.9	6.5	210.1	6.7
Index-linked securities	129.2	3.7	121.0	3.8
Pooled investment vehicles	1,817.3	51.9	1,648.6	52.2
Direct property	-	-	3.4	0.1
Other investment balances	9.0	0.2	4.9	0.2
Cash deposits	23.9	0.7	30.2	1.0
AVC investments	27.1	0.8	25.3	0.8
	<u>3,503.4</u>	<u>100.0</u>	<u>3,156.1</u>	<u>100.0</u>

A geographical analysis of the Fund's worldwide equity holdings is given below.

	Total		UK	North America	Europe	Japan	Other
	%	£m	£m	£m	£m	£m	£m
Direct quoted	43.1	1,002.2	773.3	-	2.5	223.4	3.0
Pooled investment vehicles	56.9	1,323.7	629.2	251.1	387.3	25.2	30.9
Total	<u>100.0</u>	<u>2,325.9</u>	<u>1,402.5</u>	<u>251.1</u>	<u>389.8</u>	<u>248.6</u>	<u>33.9</u>

The 10 largest direct UK equity holdings of the Fund as at 31 March 2005 are shown below.

	Market value £m	% of total UK equity holdings
Vodafone	63.9	8.3
BP	57.6	7.4
Royal Bank of Scotland	51.9	6.7
GlaxoSmithKline	44.8	5.8
Barclays Bank	41.9	5.4
HSBC	37.6	4.9
Shell Transport & Trading	23.9	3.1
BHP Billiton	20.9	2.7
Imperial Tobacco	19.0	2.5
Diageo	14.6	1.9
	<u>376.1</u>	<u>48.7</u>

TfL Pension Fund

The foregoing excludes exposure to individual stocks through the Fund's holdings of units in pooled investment vehicles.

The Fund's investment in the following unit trusts represents more than 5% of the units in issue of these trusts.

	No of units held by the Fund	% of units in issue	Market value of units £m
Midlands Growth Fund	14,055	25.4	0.2
Abbotstone Property Unit Trust	2,575	56.3	1.7

4. Custodial arrangements

During the year the Trustee was custodian of certain property unit trusts, venture capital funds and cash. The rest of the Fund's investments, comprising those assets managed by the Fund's investment managers, were held in the names of nominees, by JP Morgan Chase Bank.

5. Investment performance

The Fund participates in an investment performance measurement scheme organised by Russell/Mellon which provides comparative information for assessing investment performance. Russell/Mellon calculate both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual investment managers.

The table below shows the total investment returns (including both capital and income) obtained on the Fund's assets (including property but excluding AVCs) for the one, three and five years to 31 March 2005 and the corresponding composite benchmark now established by the Trustees as the prime performance comparator (replacing the former peer group median). The benchmark quoted is a weighted average of indices relevant to the new structure and, as such, is of limited application to the five-year averages.

	One Year		Three Year Average		Five Year Average	
	Total Fund	Bench -mark	Total Fund	Bench -mark	Total Fund	Bench -mark
Annual Return %	10.9	10.5	3.6	3.6	0.1	0.4

The Fund performed well over the year returning 10.9% compared with the benchmark of 10.5%. This brought the Fund's value to within 8% of its peak of £3,815m in March 2000.

During the year all major equity markets except Japan produced positive returns in sterling terms. European equities delivered the highest sterling returns while the UK and Pacific Basin regions also performed strongly. There were modest returns by Japanese equities in local currency terms, but these were more than cancelled out by exchange rate movements.

Bonds produced positive returns over the 12 months to 31 March 2005, with corporate bonds outperforming gilts.

During the year the Fund's active Pacific Basin equity portfolio, managed by Schroders, was transferred to Nomura.

TfL Pension Fund

Details of the performance of the individual portfolios in the year to 31 March 2005 compared with the previous year are shown below:

	Year to 31 March 2005		Year to 31 March 2004	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking - BGI	10.3	N/A	19.5	N/A
UK Equities	15.5	15.6	30.8	31.0
US Equities	4.0	3.8	15.9	15.9
European Equities (ex. UK)	18.3	18.2	36.5	36.4
Japan Equities	-4.2	-4.3	46.7	46.4
Pacific Basin (ex. Japan) Equities	18.8	18.7	33.7	33.4
UK Fixed Interest	5.5	5.4	2.4	2.8
Index-linked Gilts	5.7	5.7	6.7	6.7
UK Equities				
Alliance Bernstein	18.6	15.6	28.0	31.0
Baillie Gifford	15.0	15.6	28.8	31.0
Barclays Global Investors	15.2	15.6	30.8	31.0
European Equities (incl. UK)				
Gartmore	-	-	16.9*	17.5*
Far East Equities				
Schroders	-3.6*	-4.3*	37.5	43.8
Nomura	1.4*	1.1*	-	-
Bonds				
Henderson	6.0	6.3	5.5	5.1

* One quarter's results (not annualised)

The active managers (all the above except BGI Index-Tracking) have been set targets to achieve, measured as out-performance of the relevant benchmarks over 3 year rolling periods, with the extent of out-performance depending on the portfolio.

TfL Pension Fund

6. AVCs

The distribution of the AVCs invested with the three providers as at the year end, is set out below:

Equitable Life

	Value of fund at 31 March 2005 £m	% of total	Reported returns (where declared)
With-profits fund	7.2	44.4	N/A
Unit-linked funds			
Managed	5.4	33.3	10.5%
UK Tracking	1.5	9.3	14.3%
Lifestyle	0.6	3.7	14.3%
Building Society funds	1.5	9.3	N/A
	<u>16.2</u>	<u>100.0</u>	

Clerical Medical

	Value of fund at 31 March 2005 £m	% of total	Reported returns (where declared)
With-profits fund	9.8	96.0	1.6%
Unit-linked funds	0.4	4.0	N/A
	<u>10.2</u>	<u>100.0</u>	

Standard Life

	Value of fund at 31 March 2005 £000's	% of total	Reported returns (where declared)
Managed	301	49.6	11.3%
International	61	10.0	7.4%
Protection	44	7.2	4.1%
Sterling	10	1.6	3.8%
FTSE Tracker	111	18.3	14.0%
Ethical	41	6.8	10.7%
With Profits	39	6.5	3.2%
	<u>607</u>	<u>100.0</u>	

TfL Pension Fund

Compliance Statement

1. Introduction

The Fund was established with effect from 1 April 1989 to provide retirement and death benefits for all eligible employees of London Transport, its subsidiaries and associated companies, in accordance with the Rules of the Fund and Definitive Trust Deeds.

During the year ended 31 March 2005 there were no changes to the Fund's non-associated employers except that from 1 July 2004 the British Transport Police Authority replaced the Strategic Rail Authority as a participating employer. From 27 September 2004, the name of Seaboard Powerlink Limited changed to EDF Energy Powerlink Limited.

The Fund is approved by the Inland Revenue as an exempt approved scheme under the provisions of Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

Members of the Fund are contracted out of the earnings-related element of the state pension scheme.

2. Changes to the Trust Deed and Rules of the Fund

On 6 July 2004 the Trustee agreed with Transport for London changes to the Rules of the Fund including:

- (i) amendments to Rule 14 to cover the various types of "Family Leave"
- (ii) amendment to reflect Watson Wyatt's conversion to LLP status
- (iii) minor corrections to the Rules of the Fund
- (iv) amendment to Rule 6 regarding the appointment of the Secretary
- (v) introducing a definition of "Accounting Year" to reflect the Fund's accounting year-end

3. Management of the Fund

(a) Trustee's responsibility for preparing Accounts

Under the Rules of the Fund and the Pensions Act 1995, the Trustee is required to prepare Accounts for each Fund year which show a true and fair view of the financial transactions of the Fund during the Fund year and of the disposition, at the end of the Fund year, of the assets and liabilities. Assets do not include insurance policies which are specifically allocated to the provision of benefits for, and which provide all the benefits payable under the Fund to, particular members; liabilities do not include liabilities to pay pensions and benefits after the end of the year.

The audited accounts are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited accounts for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

The Trustee has supervised the preparation of the accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which is consistent with the audited accounts.

TfL Pension Fund

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from to time revised a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the Rules of the Fund and with the Schedule of Contributions.

The Trustee also has general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Trustee has considered the Fund's compliance with law and regulations and is not aware of any actual or potential non-compliance with laws, regulations and the Trust Deed that could have a material effect on the ability of the Fund to conduct its affairs and therefore on the position disclosed in these Accounts.

(b) Board of Directors

The 18 Directors of the Trustee, set out on page 2, are nominated as follows:

- Nine persons by TfL of whom at least five must be members of the Fund.
- One person each by:- the Transport and General Workers' Union; the National Union of Rail, Maritime and Transport Workers; the Associated Society of Locomotive Engineers & Firemen; the London Transport Joint Trades Committee; the Transport Salaried Staffs' Association.
- Two persons by and from Section One of the TfL Pension Consultative Council.
- One person by and from each of Sections Two and Three of the TfL Pension Consultative Council.

Members of the TfL Pension Consultative Council are Fund Members elected by their fellow members. Section One members are pensioners or deferred pensioners. Sections Two and Three are contributing members of the Fund.

(c) Corporate Governance

The Directors of the Trustee are committed to high standards of governance for all aspects of the Fund's operations. Although the Trustee is not governed by the Combined Code, which applies to UK fully listed companies, the Directors of the Trustee believe that the internal control aspects of the Code help demonstrate good governance and therefore the Trustee has followed the principles of the Code in relation to internal controls.

The Directors of the Trustee acknowledge their responsibility for the Fund's system of internal controls and for reviewing its effectiveness. The internal controls are designed to manage risk and control the Fund's business and financial activities in a manner that enables it to:

- avoid or reduce risks that can cause loss of the Fund's assets or reputational damage,
- ensure compliance with applicable laws and regulations; and
- enhance resilience to external events.

To achieve this the Trustee has developed a Fund Governance Scheme that includes an annual risk review carried out by The Risk Review Group, comprising the Chairs of Committees, which identifies the key risks facing the Fund and the controls in place to manage these risks. These risks and controls are set out in a Risk and Controls Register which is considered by the Audit Committee and the Board who regularly review the effectiveness of the internal controls set out therein. The planned work and audit findings of Internal and External Audit are considered by the Audit Committee throughout the year and reported to the Board annually. It should be recognised, however, that such a process can only provide reasonable, not absolute, assurance against material misstatements or loss.

The Trustee has established a management structure that clearly defines roles, responsibilities and reporting lines. These are summarised in the Fund Governance Scheme. Delegated authorities are clearly documented and reviewed regularly.

TfL Pension Fund

The performance of the Fund's operations and of the Trustee's Managers is reported regularly to the Fund Secretary and the relevant Committees and, where appropriate, the Trustee Board itself. Performance trends and forecasts, as well as actual performance against budgets, are closely monitored. Financial information is prepared using appropriate accounting policies that are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions, communications to members and the safeguarding of the Fund's assets.

4. Matters relating to the Fund's investments

The Fund's investments are invested in compliance with the Pensions Act 1995. The investment adviser, the investment managers and the property managers appointed by the Trustee to advise on and manage funds are appropriately authorised under the Financial Services Act 1986. No employer-related investments were held during the year ended 31 March 2005. The Fund's Statement of Investment Principles was revised during the year to reflect changes to the Fund's advisers and revisions to individual manager portfolios.

On 2 October 2001 the Government published its response to Paul Myners' Review of Institutional Investment endorsing the ten investment principles proposed for Defined Benefit Pensions Schemes and asking schemes to comply with them on a voluntary basis. To this end the Trustee commissioned a compliance review which showed that the Fund was, or had plans to become, compliant with the principles, or explaining the reasons for any departures from them. A summary of the current position is set out below.

	Myners Principle	TfL Pension Fund Position
1.	Effective Decision - Making	Compliant except for paying Trustees which is not felt appropriate. Business Plan published, Trustee training has been strengthened and the Board has an Investment Committee.
2.	Clear Objectives	Compliant. Risk tolerance has been reviewed with employers.
3.	Focus on Asset Allocation	Compliant. Scheme-specific benchmark and all investment classes regularly reviewed for inclusion. As part of the review of alternative assets the bond mandate has been widened to include global bonds and, in addition, the Trustees are in the process of selecting an active currency manager.
4.	Expert Advice	Compliant. Watson Wyatt provide actuarial advice; Hewitt Bacon & Woodrow carried out asset liability studies and Mercer provide other investment advice.
5.	Explicit Mandates	Compliant. Transaction cost analysis in place. Trustee education expanded.
6.	Activism	Partially compliant. Voting delegated to Managers but is required and is reviewed. Trustees would like to be more pro-active but are constrained by current legislation and the systems available to facilitate and monitor voting.
7.	Appropriate Benchmarks	Compliant.
8.	Performance Measurement	Compliant. Quarterly monitoring using Russell/Mellon measurement and Mercer's reviews of each Manager and total Fund in place. The Fund carries out a formal ongoing assessment of its procedures and decisions in the light of legislative changes and the Fund's objectives.
9.	Transparency	Compliant. The SIP (Statement of Investment Principles) was reviewed and felt to be sufficiently comprehensive.
10.	Regular Reporting	Compliant. Annual Review sent to Members. Report and Accounts, SIP and Business Plan sent on request. Annual Members' Meeting held and special interest groups (e.g. PCC) briefed annually.

TfL Pension Fund

The Trustee has supported the Pension Fund Disclosure Code published by the Investment Management Association and the National Association of Pensions Funds in May 2002 and requires compliance by the Fund's Investment Managers with both Level One and Level Two. The Trustee also welcomed the Financial Services Authority's Consultation Paper 176 "Bundled Brokerage and Soft Commission Arrangements" published in April 2003. The ending of soft commissions and the separation of payments for execution and research, preferably on a scale fee, rather than commission, basis are seen as prerequisites for an acceptable degree of transparency in transaction costs and evidencing best execution by Managers. The voluntary approach being followed by the FSA will be monitored closely for effectiveness.

5. Transfers

All transfer values paid to or received from other pension schemes were calculated using formulae agreed by the Scheme Actuary and in accordance with statutory regulations. No transfers were made at less than their cash equivalent.

6. Changes to the Fund's advisers

There were no changes to the Fund's advisers during the year.

TfL Pension Fund

Actuary's Statements and Certificates

Pages 28 to 41 contain formal statements and certificates provided by the Scheme Actuary and the Fund's Schedule of Contributions.

The statement on pages 28 to 30 sets out the financial position measured in accordance with the statutory minimum funding requirement (MFR) as at the date of the last actuarial valuation.

The statement on pages 31 to 33 confirms that, when the last valuation was prepared, the Scheme Actuary regarded the contributions payable to the Fund as sufficient in the normal course of events to meet the benefits as they fall due.

The certificates on pages 34 to 37 indicate whether or not, when the certificates were given, the levels of contributions then payable were adequate to meet the constraints imposed by the MFR. The certificate on page 34 confirms that this was the case for four sections of the Fund. Since the other eight sections had MFR funding levels below 100% at the last valuation date, legislation requires their position to be reviewed annually. The certificate on page 35 confirms that the contributions remained adequate for three of these sections when this year's review was carried out, whereas the certificate on pages 36 and 37 states that the contributions were not adequate for the remaining five sections. It will be seen that the last of these certificates uses slightly different wording for two of the sections it covers from that used for the other three. The wording used is prescribed by legislation and depends on the estimated MFR funding level when the certificate is given. New contributions levels are now required to be agreed for the sections covered by the certificate on pages 36 and 37 that can be certified as adequate for MFR purposes by the end of September 2005.

Pages 38 to 41 contain the current Schedule of Contributions which specifies the contributions that are to be paid to the Fund.

TfL Pension Fund

Actuarial statement (regarding MFR position)

Actuary's statement : minimum funding valuations

Actuarial statement made for the purposes of regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: **LRT Pension Fund**

Effective date of valuation: **31 March 2003**

1 Compliance with minimum funding requirement

In my opinion, on the effective date the value of the assets of each section of the Fund was the following proportion of the amount of the liabilities of that section:

Public Sector Section	-	95%
Metronet Rail BCV Limited Section	-	96%
Metronet Rail SSL Limited Section	-	93%
Tube Lines Limited Section	-	93%
Seaboard Powerlink Limited Section	-	86%
Electronic Data Systems Limited Section	-	over 120%
Cubic Transportation Systems Limited Section	-	99%
Instant Library Limited Section	-	82%
Strategic Rail Authority Section	-	over 120%
Cadbury Limited Section	-	over 120%
Thales Communication Services Limited Section	-	55%
Cap Gemini UK plc Section	-	107%

TfL Pension Fund

2 Security of preferential liabilities

In my opinion, for each section of the Fund where the assets fell short of the amount of the liabilities on the effective date the assets of the section were sufficient to satisfy the liabilities of that section mentioned in section 73(3) of the Pensions Act 1995 (which lists the liabilities of schemes in the order in which they are to be met on a winding up) to the following extent –

<i>Section of Fund</i>	<i>Percentage satisfied</i>		
	<i>Liabilities within sections 73(3)(a) to (b)</i>	<i>Liabilities within sections 73(3)(c)</i>	<i>Liabilities within section 73(3)(d)</i>
Public Sector	100%	100%	71%
Metronet Rail BCV Limited	100%	100%	83%
Metronet Rail SSL Limited	100%	100%	74%
Tube Lines Limited	100%	100%	75%
Seaboard Powerlink Limited	100%	100%	46%
Cubic Transportation Systems Limited	100%	100%	97%
Instant Library Limited	100%	100%	28%
Thales Communications Services Limited	100%	78%	0%

Notes

- (i) Liabilities within sections 73(3)(a) to (b) are benefits derived from additional voluntary contributions and benefits (excluding future pension increases) to which entitlement had already arisen at the valuation date.
- (ii) Liabilities within section 73(3)(c) are benefits (excluding future pension increases) other than those within sections 73(3)(a) to (b).
- (iii) Liabilities within section 73(3)(d) are future pension increases.

TfL Pension Fund

3 Valuation principles

The assets and liabilities of each section of the Fund are valued in accordance with section 56(3) of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries.

M D May
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3 March 2004

Note: The valuation of the amount of the liabilities of each section of the Fund does not reflect the cost of securing those liabilities by the purchase of annuities, if the section were to have been wound up on the effective date of the valuation.

TfL Pension Fund

Actuarial statement (regarding security of prospective rights)

Actuary's statement : ongoing valuations

Actuarial statement made for the purposes of regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: LRT Pension Fund

Effective date of valuation: 31 March 2003

1 Security of prospective rights

In my opinion, the resources of each section of the Fund are likely in the normal course of events to meet in full the liabilities of that section as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to each section of the Fund:

Description of contributions

By members: - contributions as specified in Rule 13 of the Fund's rules (these are based on 5% of the relevant pay definition)

By the employers: - contributions as set out in the following table

<i>Section of the Fund</i>	<i>Level of employer contributions</i>		
	<i>from 1 April 2003</i>		<i>from 1 April 2004 onwards</i>
	<i>to 31 March 2004</i>	<i>to 31 March 2004</i>	
	<i>(i)</i>	<i>(i)</i>	<i>(ii)</i>
Public Sector	3.05	6.10	-
Metronet Rail BCV Limited	3.25	3.50	£3.075m
Metronet Rail SSL Limited	3.25	3.55	£2.869m
Tube Lines Limited	3.20	3.45	£2.697m
Seaboard Powerlink Limited	3.50	3.80	£0.764m
Electronic Data Systems Limited	2.95	3.35	-£8,000
Cubic Transportation Systems Limited	3.55	3.90	£72,000
Instant Library Limited	3.70	4.00	£37,000
Strategic Rail Authority	3.40	3.65	£2,000
Cadbury Limited	2.75	3.30	£8,000
Thales Communications Services Limited	3.45	3.20	£16,000
Cap Gemini UK plc	3.10	3.80	£15,000

TfL Pension Fund

Notes

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) the annual additional cash contribution to reflect the section's funding position; in the case of the Electronic Data Systems Limited Section the cash adjustment is a reduction, not an increase.

The rates set out above are subject to review at future actuarial valuations.

2 **Summary of methods and assumptions used**

For the purposes of Section 1 I have assumed that each section of the Fund will continue. In the normal course of events active members will continue to accrue benefits under the Fund and their benefits will be based on their actual pensionable service at cessation of active membership and their pensionable pay at that time. The liabilities referred to in Section 1 relate to the benefits which are expected to become payable under the normal operation of the Fund. They take account of future benefit accruals and include appropriate allowance for future pay increases. Allowance has also been made for the expected level of expenses charged to each section of the Fund.

The asset details on which the valuation has been based reflect the information provided in the Fund's published Annual Report and Accounts. While the accounts for the Fund as a whole are audited, those for the individual sections of the Fund are not audited.

Funding method : projected unit

The projected unit method of valuation entails the following stages.

First the rate of contribution required to meet the ongoing cost of accruing benefits is assessed by calculating the percentage of members' pensionable pay that is needed to meet the cost of all the benefits accruing to active members in the year following the valuation date, with allowance for projected future pay increases.

The value placed on the accrued liabilities at the valuation date (including all the liabilities for pensioners and deferred pensioners and based on projected pensionable pay for active members) is then compared with the value placed on the assets.

The actual contribution rate payable is based on the ongoing contribution rate required to meet accruing benefits, adjusted for a temporary period to reflect the difference between the value of the accrued liabilities and the value of the assets.

TfL Pension Fund

The ongoing contribution requirement has been assessed by reference to long-term financial assumptions. The comparison of the assets with the accrued liabilities reflects market conditions on the valuation date; the assets of each section of the Fund have therefore been taken at their market value and the discount rate for assessing the value to be placed on the accrued liabilities reflects market conditions on that day.

The adjustment to the ongoing contribution rate to reflect each section's difference in value of assets and accrued liabilities has been expressed as a multiple of the members' normal Rule 13 contributions (in the case of the Public Sector Section) and as a fixed annual cash amount (for each other section). The amortisation period is ten years (from 1 April 2004) for all sections except the Cap Gemini UK plc Section for which it is five years.

Main financial assumptions:

	<i>% pa</i>
<hr/>	
long-term rate of:	
investment return	6.75
general pay escalation	4.0
price inflation	2.5
pension increases (non GMP component)	2.5
market-related discount rate for assessing the Fund's accrued liabilities	
Public Sector Section	7.0
other sections	7.8

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 3 March 2004.

M D May
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3 March 2004

TfL Pension Fund

Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)

Name of scheme: **LRT Pension Fund**

The following opinion (set out in paragraph 1) relates to each of the following sections of the Fund:

Electronic Data Systems Limited Section

Strategic Rail Authority Section

Cadbury Limited Section

Capgemini UK plc Section

1. Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are adequate for the purpose of securing that throughout the period it covers the section will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

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10 March 2004

TfL Pension Fund

Actuarial certificate given for the purposes of section 57(1)(b) of the Pensions Act 1995 (Occasional or Periodical Certification of Contributions)

Name of scheme: **LRT Pension Fund**

This certificate relates to each of the following sections of the Fund:

Public Sector Section

Instant Library Limited Section

Thales Communications Services Limited Section

1. Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are adequate for the purpose of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will be met by the end of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

2. Relevant changes since last actuarial valuation

Since the last actuarial valuation of the section was prepared under section 57 of the Pensions Act 1995 the following changes which are relevant have occurred: -

- (i) investment returns on the section's assets have exceeded those assumed in the valuation
- (ii) since the valuation date, contributions received by the section have exceeded the value of accruing benefits and salary-related increases to accrued benefits.

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31 March 2005

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were wound up.

TfL Pension Fund

Actuarial certificate given for the purposes of section 57(1)(b) of the Pensions Act 1995 (Occasional or Periodical Certification of Contributions)

Name of scheme: LRT Pension Fund

The following opinion (set out in paragraph 1), together with paragraph 3, relates to each of the following sections of the Fund:

*Metronet Rail BCV Limited Section
Cubic Transportation Systems Limited Section*

1. Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are not adequate for the purpose of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will continue to be met throughout the remainder of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

The following opinion (set out in paragraph 2), together with paragraph 3, relates to each of the following sections of the Fund:

*Metronet Rail SSL Limited Section
Tube Lines Limited Section
EDF Energy Powerlink Section (formerly Seeboard Powerlink Section)*

2. Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are not adequate for the purpose of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will be met by the end of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

TfL Pension Fund

3. Relevant changes since last actuarial valuation

Since the last actuarial valuation of the section was prepared under section 57 of the Pensions Act 1995 the following changes which are relevant have occurred: -

- (i) investment returns on the section's assets have exceeded those assumed in the valuation
- (ii) since the valuation date, contributions received by the section have exceeded the value of accruing benefits and salary-related increases to accrued benefits.

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31 March 2005

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were wound up.

Schedule of contributions

(as required under section 58 of the Pensions Act 1995)

- 1 Name of scheme:** LRT Pension Fund
- 2 Period covered by this schedule of contributions:**
From the date (in March 2004) on which this schedule is formally certified by the Scheme Actuary for a period of five years (in the case of those sections of the Fund listed in paragraph 4) and for a period of ten years (in the case of those sections of the Fund listed in paragraph 5).
- 3 Level of member contributions payable:**
Member contributions are payable in accordance with Rule 13, with contributions based on 5% of the relevant pay definition.
- 4 Level of employer contributions payable (over a period of five years):**
Employer contributions to the following sections of the Fund are based on the following multiples of the normal Rule 13 contributions payable by members of that section, together with an additional cash contribution (with effect from 1 April 2004) to reflect the section's funding position.

<i>Section of the Fund</i>	<i>Level of employer contributions</i>		
	<i>to 31 March 2004</i>	<i>from 1 April 2004 onwards</i>	
	<i>(i)</i>	<i>(i)</i>	<i>(ii)</i>
Electronic Data Systems Limited	2.95	3.35	-£8,000
Strategic Rail Authority	3.40	3.65	£2,000
Cadbury Limited	2.75	3.30	£8,000
Cap Gemini UK plc	3.10	3.80	£15,000

Notes

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) the annual additional cash contribution to reflect the section's funding position; in the case of the Electronic Data Systems Limited Section the cash adjustment is a reduction, not an increase.

TfL Pension Fund

5 Level of employer contributions payable (over a period of ten years):

Employer contributions to the following sections of the Fund are based on the following multiples of the normal Rule 13 contributions payable by members of that section, together with an additional cash contribution (with effect from 1 April 2004) to reflect the section's funding position.

Section of the Fund	Level of employer contributions		
	to 31 March 2004	from 1 April 2004 onwards	
	(i)	(i)	(ii)
Public Sector	3.05	6.10	-
Metronet Rail BCV Limited	3.25	3.50	£3.075m
Metronet Rail SSL Limited	3.25	3.55	£2.869m
Tube Lines Limited	3.20	3.45	£2.697m
Seaboard Powerlink Limited	3.50	3.80	£0.764m
Cubic Transportation Systems Limited	3.55	3.90	£72,000
Instant Library Limited	3.70	4.00	£37,000
Thales Communications Services Limited	3.45	3.20	£16,000

Notes

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) the annual additional cash contribution to reflect the section's funding position. In the case of the Thales Communications Services Limited Section the amount shown includes contributions to secure the increase in the value of the assets of the section that is required by section 60(2) of the Pensions Act 1995 of £12,514 pa payable for two years from 1 April 2004.

6 Due date for payment of contributions:

In accordance with Rule 13(3), member contributions are due to be paid to the Fund on or before the 5th day after the end of the period in respect of which the member's wages or salary was paid or the member's pay date, whichever is the later. Under the Pensions Act 1995 member contributions are legally due to be paid to the Fund no later than 19 days after the end of the month in which they were deducted from the member's pay. The employer undertakes to pay contributions to the Fund in accordance with the rules of the Fund. However, member contributions will not be deemed to be late under this Schedule unless they are paid later than the legal due date.

TfL Pension Fund

Employer contributions that are expressed as a multiple of the members' Rule 13 contributions are due to be paid by the same date as the member contributions to which they relate and similarly are not deemed to be late under this Schedule unless they are paid later than the legal due date for member contributions. Employer contributions that are expressed as cash amounts are due to be paid in twelve equal instalments over each year by the 15th of each calendar month. In the case of the Electronic Data Systems Limited Section, the cash adjustment (of £8,000 a year) is deducted in twelve equal instalments over each year, with the deduction being made each month from the employer contributions payable that month that are expressed as a multiple of the members' contributions payable.

- 7 Special employer contributions shall be paid to the Fund at amounts agreed between the Trustees and the employer. Special employer contributions are due to be paid to the Fund no later than 19 days after the end of the month in which they are agreed between the Trustees and the employer.

Note:

This schedule of contributions relates to the payment of normal contributions to the Fund payable under Rule 13 (members) or Rule 16 (employers). It does not relate to the payment of additional voluntary contributions (AVCs) under Rule 27.

Agreed on behalf of the Trustees to the Fund

Agreed on behalf of the Principal Employer

Signed

Signed

C L Angell
Fund Secretary

S J Timbrell
TfL Director of Pensions

9 March 2004

9 March 2004

TfL Pension Fund

LRT Pension Fund

Addendum to the Schedule of Contributions

From 1 July 2004, the Strategic Rail Authority ceased to participate, and the British Transport Police Authority started to participate, in the Fund. The British Transport Police Authority was allocated to the same section of the Fund as the one in which the Strategic Rail Authority participated. The reference in the schedule of contributions to the Strategic Rail Authority section should therefore be read (with effect from 1 July 2004) as a reference to the British Transport Police Authority section.

TfL Pension Fund

Participating Employers' Unit Holdings and Asset Values Statement

The Fund is structured into a series of financially segregated sections, comprising a composite section for the ongoing public sector employees (including responsibility for all pensioners and deferred pensioners) and individual sections for each of the private sector employees. The Fund's main investment portfolio is unitised for accounting purposes. The participating employers' unit entitlements and unit values as determined under Rule 2C of the Fund are shown below.

Participating Employer	Equity Fund			
	As at 31 March 2005		As at 31 March 2004	
	Units	£'000	Units	£'000
Public Sector	1,949,721,724	1,953,014.1	1,948,367,255	1,724,091.3
Metronet Rail BCV Limited	143,432,114	143,674.3	144,072,238	127,488.1
Metronet Rail SSL Limited	125,100,166	125,311.4	128,440,215	113,655.5
Tube Lines Limited	114,614,810	114,808.3	111,813,997	98,943.1
EDF Energy Powerlink Limited	18,276,898	18,307.8	17,986,663	15,916.2
Cadbury Limited	322,610	323.2	295,180	261.2
Capgemini UK plc	269,183	269.6	250,846	222.0
Cubic Transportation Systems Ltd	2,924,217	2,929.2	3,023,825	2,675.8
Electronic Data Systems Limited	1,918,532	1,921.8	1,872,823	1,657.2
Instant Library Limited	866,265	867.7	802,847	710.4
British Transport Police Authority	311,091	311.6	294,118	260.3
Thales Communications Services Ltd	111,351	111.5	84,832	75.1
	<u>2,357,868,961</u>	<u>2,361,850.5</u>	<u>2,357,304,839</u>	<u>2,085,956.2</u>

The Equity Fund unit price at the year-end was £1.001688628 (2004 £0.884890331)

Participating Employer	Bond Fund			
	As at 31 March 2005		As at 31 March 2004	
	Units	£'000	Units	£'000
Public Sector	831,145,802	1,062,152.6	824,063,345	995,778.0
Metronet Rail BCV Limited	12,491,854	15,963.8	11,058,120	13,362.4
Metronet Rail SSL Limited	10,895,280	13,923.5	9,841,476	11,892.2
Tube Lines Limited	9,982,085	12,756.5	8,572,797	10,359.2
EDF Energy Powerlink Limited	1,591,780	2,034.2	1,383,078	1,671.3
Cadbury Limited	28,097	35.9	22,717	27.4
Capgemini UK plc	23,444	30.0	19,285	23.3
Cubic Transportation Systems Ltd	254,677	325.5	232,580	281.0
Electronic Data Systems Limited	167,090	213.5	144,053	174.1
Instant Library Limited	75,445	96.4	61,754	74.6
British Transport Police Authority	27,094	34.6	22,396	27.1
Thales Communications Services Ltd	9,698	12.4	6,562	7.9
	<u>866,692,346</u>	<u>1,107,578.9</u>	<u>855,428,163</u>	<u>1,033,678.5</u>

The Bond Fund unit price at the year-end was £1.277937824 (2004 1.208375552)

	31 March 2005	31 March 2004
	£'000	£'000
Equity Fund	2,361,850	2,085,956
Bond Fund	1,107,579	1,033,678
Other (non unitised assets allocated to Public Sector)	46,843	36,784
Total Net Assets at 31 March	<u>3,516,272</u>	<u>3,156,418</u>



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