Transportation
United Kingdom
Credit Analysis

Transport for London

Ratings

	Current Ratings
Long-Term Foreign Currency	AA
Long-Term Local Currency	AA
Short-Term Local Currency	F1+

Outlook

Foreign Long-Term	Stable
Local Long-Term	Stable

Financial Data

Transport for London

	31 March 2007	31 March 2006
Operating revenue (GBPm)	2,965.6	2,737.6
Debt (GBPm)	1,346.2	745.9
Total risk (including finance leases; GBPm)	3,916.0	2,540.2
Operating profit/ total revenue (including grants; %)	2.62	2.08
Total risk/total revenue (%)	78.29	53.50
Total risk/ total assets (%)	22.14	15.81
Cash and liquid deposits/ total risk (%)	51.78	66.42

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Related Research

- *Ratings of Public Sector Entities*

Rating Rationale

- The Long-Term Ratings are underpinned by Transport for London's (TfL): importance to the economic development of the Greater London area; strong links with the central government through block grants agreed by long-term settlements (now extended to 2017-2018); and its sound operating and budgetary performance. However, the ratings also take into account TfL's ambitious capital spending plan, which will be partially debt financed; limited and shrinking budgetary flexibility; and operational and contractual risks attached to the public-private partnership (PPP) for the London Underground.
- TfL's dependence on indirect central government support is a positive rating factor. Central government grants accounted for 41% of its total operating revenue in the fiscal year to end-March 2007 (FY07). Fares set by the mayor contributed 45%; through increasing these at a higher rate than the retail price index (RPI), total fares rose by 8.5% in monetary terms in FY07.
- TfL was relatively debt free until 2004 but its ambitious capital expenditure plan has resulted in a moderate increase in financial debt (mainly composed of loans from the Public Works Loan Board, the European Investment Bank and three bond issues under the prudential borrowing regime in the UK). Nevertheless, debt increases substantially if obligations under the finance lease are added.
- The administrative receivership of Metronet, one of the two infrastructure companies (infracos) undertaking the PPP, should not result in increased operational spending pressure for TfL, as TfL will be able to exercise greater flexibility in project implementation.
- The Crossrail project will be an important future investment for TfL, and is expected to cost GBP16bn, part of which will be funded by TfL. Fitch Ratings will assess the full impact of this investment on TfL when the project has been incorporated into the revised business plan in autumn 2008.

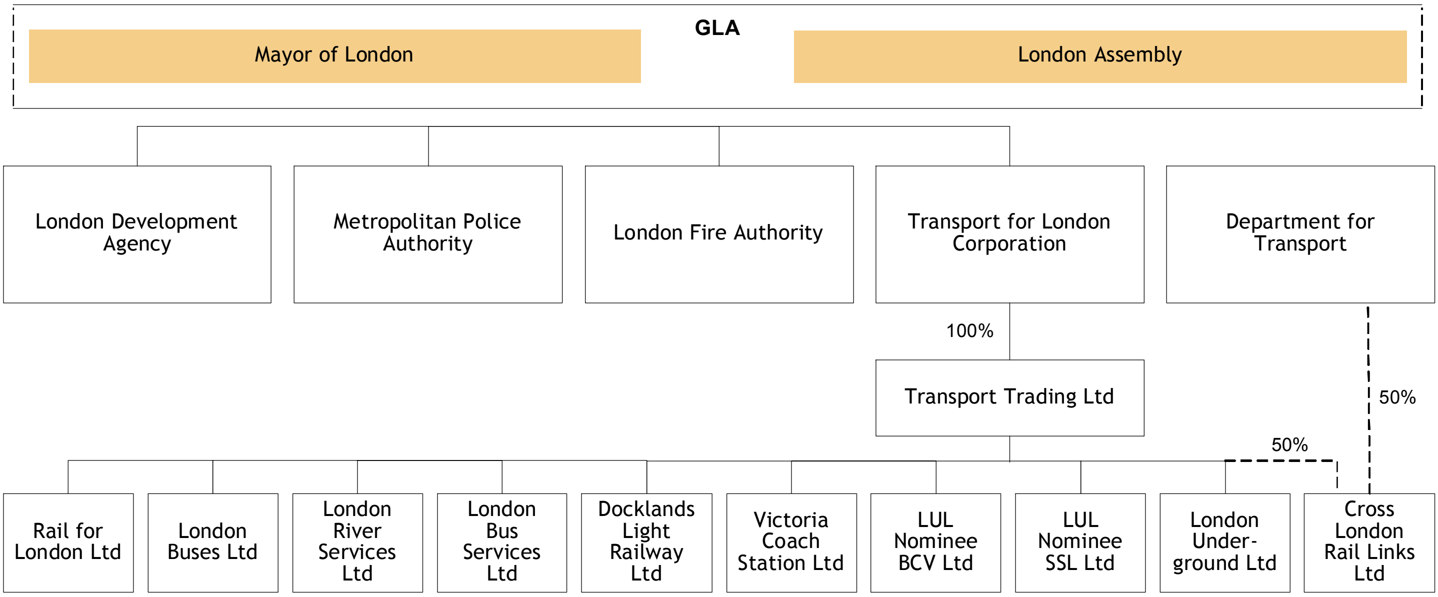
Key Rating Drivers

- A weakening of central government support, substantial decrease in revenue (due to reduction in patronage) and consistent under-performance against the business plan could trigger a rating downgrade.
- Closer links with, and stronger commitment from, the central government and a stabilisation of the debt burden could trigger a rating upgrade.

Profile

TfL, which reports to London's mayor, is a functional body of the Greater London Authority (GLA). It was created in 2000, and for most financial and accounting purposes it is treated as a local authority. In July 2000 it took over all responsibilities for buses and other transport functions in London from the government. Its remit includes roads and bridges, buses, the Docklands Light Railway (DLR), river services and taxis. London Underground Limited (LUL) was passed to TfL in July 2003. TfL's 408 kilometres (km) of underground and 458 million passenger km of annually operated bus network serve an urban area containing 7.4 million people. It employs about 20,300 staff.

Structure Diagram



Source: Fitch based on GLA and TfL

Legal and Accounting Framework

Links Between the Greater London Authority and TfL

The GLA was established in 1999 and has a strategic role in London's planning and operations. The GLA consists of a mayor, directly elected, and a 25-member directly elected assembly. Both the assembly and the mayor are elected every four years. The GLA's main responsibilities are transport, policing, fire and emergency planning, economic development, planning, culture, and environment within the broader greater London area. The bulk of these responsibilities are undertaken by four separate functional bodies: TfL, the Metropolitan Police Authority, the London Fire Emergency Planning Authority and the London Development Agency. The aggregate budget of the GLA and its four functional bodies for 2007-2008 is GBP10.7bn, of which the Metropolitan Police (31% of the total) and Transport for London (60%) are the main components. These functional bodies are funded through a combination of block and tied grants from the central government or own revenue (such as fares). The block grants are channelled through the GLA but this body has no authority to intercept these moneys or use the funding for other purposes than those intended. The funds cannot, therefore, be used to fund shortfalls in one functional body through surpluses in another. The GLA itself only accounts for a very small part of total expenditure (GBP153m) and is funded through grants and a council tax precept. TfL's ratings are therefore not directly linked to the credit quality of the GLA, as this body would not have the funding or resources to be able to assist or bail out its functional body.

TfL's Responsibilities: All Transport Modes, Including Overground Rail

Since July 2000 TfL has been responsible for most transport in London, including buses, DLR, major roads, river transport, cycling, taxis and private hire (the Public Carriage Office), and trams. Since July 2003 it has also been responsible for the "Tube" (the London Underground, see below). In autumn 2007 TfL became responsible for some overground rail services: the North London Railway is now operated by TfL under the brand London Overground, and will be joined by the East London line, formerly part of the Tube network, when it reopens in 2010.

Most overland rail within London remains under the aegis of Network Rail and serviced by the operating train companies regulated by the Department for Transport (DfT). Unlike Paris or Berlin, the London urban area is not fully integrated into one single metropolitan transport authority.

TfL and the Mayor's Powers Over Transport in London

On 15 July 2003 responsibility for the London Underground passed from the government to the mayor of the GLA and TfL – three years after the other transport responsibilities were transferred. The Tube was only transferred once the PPP was in place. The PPP aims to provide a GBP16bn upgrade and maintenance programme for the Tube for the first 15 years. The government decided on and organised the PPP, leading to a political and legal dispute with the mayor and TfL.

Since the devolution of power to the local level, enacted by the Greater London Authority Act 1999, the Mayor of London (Ken Livingstone, re-elected in June 2004 for a second four-year term), has been the key figure in urban transport for the UK's capital city. The mayor sets the budget, appoints the board and can direct TfL's actions. Having made transport a priority, he has chosen to become the chair of the TfL board. He also sets the fares for the Tube, buses, London Overground, DLR, Croydon Tramlink and taxis.

Transport in London is Key National Political Issue

The Greater London area is home to 7.4 million people, representing more than 12% of the UK's population. The capital city also provides 18% of national gross value added. Capital cities play a central role in international competitiveness, and in this context urban transport is crucial for the economic development of the metropolis in terms of the mobility of the workforce, efficiency of the communications network and quality of life for residents. The Mayor of London has made public his ambition to dramatically improve the comfort and reliability of the capital's transport system. It is widely recognised that London suffers from many handicaps in this respect compared with other large cities such as New York, Paris and Tokyo. The success of London's Olympic bid in July 2005 underlined the commitment of central government to supporting the upgrade of the capital city's transport network. Fitch shares the view that the organisation of the games will ease the implementation of the mayor's transport strategy, although the agency will monitor the actual financial support delivered to TfL from the central administration. Transport projects related to the Olympics are integrated in the business plan discussed in this report.

Finances and Performance

Accounting Regime Primarily Based on the Local Authority Framework

Under the Greater London Authority Act 1999, TfL is treated as a local authority for accounting purposes. Accordingly, it is required to deliver a balanced budget.

Its subsidiaries are subject to the accounting requirements of the Companies Act and are consolidated into the statement of accounts. TfL accounts are audited by external auditors (KPMG). Since 2004 a prudential borrowing regime has been in place for local authorities (including the GLA and its functional bodies). Under this regime, TfL is allowed to borrow without prior approval from the DfT. The new system is based largely on self-regulation by local authorities.

The assets under the PPP contracts are recorded on balance sheet as fixed assets, and the corresponding liabilities as finance leases.

Revenue

Fares are Critical but Offer Little Flexibility…

Fares accounted for 45% of total revenue in fiscal year 2007 (FY07), up by 8.5% in monetary terms on 2006. Fares are an important source of income for the TfL budget and are increasing as a proportion of total revenue, as they represented 43%

of total revenue in 2003. Fares from the tube represented 56% of total fare income in FY07, and those from the buses 40%, with the balance from DLR and Tram.

Single Tube tickets (purchased by cash) are among the most expensive in the world at GBP4 for a single trip in zone 1, although only about 3.2% of journeys were paid for by cash (the same journey costs GBP1.50 when purchased with a prepaid Oyster Card). The fare structure is, however, highly sophisticated, with pricing innovation (such as off-peak prices and family discounts), and is much more market oriented than in other cities.

Although fares are relatively high, further increases are contemplated at RPI in the business plan. Fares are the sole responsibility of the mayor. After the announcement of the five-year agreement in July 2004, the mayor unveiled additional changes in the fare structure for FY06 and the remaining years of the plan. These changes include a small but regular increase in the course of the plan for the underground (RPI+1%) and substantial increases for the bus network (RPI+10%; these rises were applied for only two years - the increased patronage and efficiencies achieved in 2006 allowed TfL to raise fares less afterwards). However, these increases predominantly apply to single tickets purchased for cash, whereas a growing number of travellers are using prepaid media (Oyster Card): more than 73% of journeys were paid for through Oyster Cards in FY07. In FY08 there will be no increases in fares for cash or Oyster users, and travel cards will increase by RPI+1%.

TfL has a monopoly position in the organisation of urban transport in London. TfL is not exposed to competition in its role of integrated transport provider (no outside private or public transport provider can arise). The risk of Londoners significantly reducing their use of urban transport facilities is very small. Both a cause and a consequence of this is the low rate of car ownership in London: 40% of Greater London’s inhabitants do not own any car; the proportion is only 23% in the rest of the UK.

As highlighted by the Audit Commission report issued in late 2005, the growth of bus use in London has been well above targets and has resulted from a combination of increased investment and the introduction of measures that support public transport. Except during extraordinary events (such as terrorist attacks, major floods, fires and derailments), and even then for a limited period, users may have no option but to take buses and the Tube. This was illustrated after the bomb attacks in the city on 7 and 21 July 2005: patronage recovered from the service interruption just months afterwards. Bus passenger journeys reached 1.9 billion in FY07.

Despite the risk of lower economic growth, Fitch believes the patronage trend is supported by strong structural elements: the rising population in the urban area is fuelling the customer base, while the enhanced service and network quality – and the extension of the congestion charge area – are also contributing to a greater use of public transport. The cyclical increase in oil prices makes the use of private vehicles more expensive and favours TfL’s offering. In 2007 LUL carried more than 1 billion passengers in a calendar year, the highest number since the Tube started operation.

The risk of reduced patronage in the long term has not ceased to exist. However, Fitch is confident that: the current strategy and priority given to transport reduce this risk; and it would not have a sudden impact even if it were to happen.

Central Government Grants Remain Crucial

Grants are a prominent item in TfL’s revenue statement, representing 41% of the total in FY07. TfL’s transport grant is part of the DfT’s settlement and is passed to TfL through the GLA, according to the provisions laid down in the Greater London Authority Act 1999. This grant is earmarked for TfL and the GLA cannot use it for other purposes.

Government funding is regulated by the spending review process, which sets a global funding package for a three-year term. In July 2004 London's mayor obtained more certainty regarding TfL's long-term funding through a five-year (extended in 2007 to a 10-year) agreement signed with the government. Although this is not a contractual and binding commitment from the government, the agreement, which has been made public, shows its high-profile commitment and supports the credibility of the FY05-FY10 business plan. The ten-year grant settlement, covering the period to 2017-2018, has not yet been incorporated into the business plan.

Extraordinary Grants and Contingencies Fund

Were TfL to need extraordinary funding and the government to agree, UK budgetary law allows for two possibilities, subject to top-level political consent:

- Central government can decide to make the GLA (with earmarking to TfL) a one-off special grant. A special grant is subject to the Treasury's agreement and can only be paid after prior approval by the House of Commons. It cannot, therefore, be made while the Commons is in recess, unless approval has been granted in advance.
- The DfT could provide funds from the contingencies fund, managed by the Treasury and available for expenditure that cannot await a vote in parliament. This can be made within 48 hours. Advances from the fund must be repaid by the DfT, indicating that the DfT would either have to reallocate funds within its budget or gain parliamentary approval for additional funding.

Although the ability to tap into these cash sources is a positive factor, it does not amount to unlimited and immediate access to the Treasury.

Congestion Charging: Strategic Success

On 17 February 2003 TfL launched the congestion charge, which aims to reduce the number of private cars entering the most congested central area. The congestion charge system is operated by a private contractor. Although it has been extremely successful in terms of the restriction of car traffic (down 13%) and the increase in bus patronage, it is generating less revenue than expected. The charge was raised to GBP8 from GBP5 from 4 July 2005. In February 2007 the congestion charging zone was extended to include the western portion of central London. In FY07 revenue from the congestion charge totalled GBP252.4m, while total expenditure for operating it was GBP163.3m.

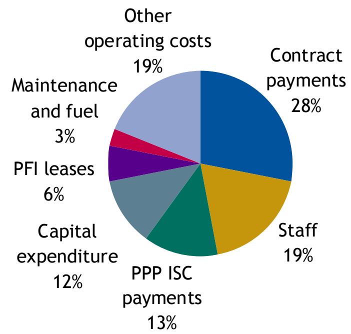
Expenditure

Staff Costs and Energy Prices Put Upward Pressure on Expenditure

The TfL group employed about 20,300 people at mid-March 2007, and staff costs make up about 19% of total expenditure (including contract staff). As expected, this amount rose significantly after agreements were reached with the Tube drivers' trade unions in 2004, and renewed in 2007. The pay agreement concluded in February 2007 envisages the payroll increasing 4% in FY07 and RPI+0.5 thereafter (or 3%, whichever is greater). This growth will have to be matched on the revenue side.

Breakdown of Expenditure

At 2006/07



Source: Fitch based on TfL

Contracts Make up a Large Proportion of Expenditure

TfL has outsourced many of its responsibilities, including bus services, all of which are operated by private companies, with which it has five-year contracts; six companies control 90% of the bus routes. Expenditure related to bus operators' contracts has increased as a result of: the "TfL bonus" (an increase in wages with a view to reducing labour shortages); and bonuses paid to operators for providing a more reliable service after the implementation of the congestion charge (these incentives are capped and do not exceed 6% of the contract's value). In the long term, this contract structure offers some flexibility. DLR is also run under a concessionary system, in which the private contractor provides infrastructure and rolling stock, while TfL makes availability payments.

Capital Expenditure Financing

(GBPm)	2005	2006	2007
Total	**1,157.4**	**1,784.9**	**1,863.7**
Financed by			
PPP	712.1	887.6	1,123.1
Borrowing	195.6	550.0	465.0
Grants	241.4	157.9	236.6
Other	8.3	189.4	39.0

Source: TfL

Some private-finance initiative (PFI) contracts are also binding obligations for TfL: LUL has PFI contracts in three major procurement areas (power, communications and ticketing).

Present Capital Expenditure Mainly Through PFI/PPP

Most of TfL's capital expenditure is through PPP projects. Investment in the Tube in FY07 was about GBP1.2bn, of which 60% related to work refurbishment and modernisation of about 30 stations and renewal of about 40km of track. The new 190-strong train fleet for the sub-surface network will be delivered during 2009-2015. The balance of capital expenditure (GBP5.5bn) will be debt financed (GBP3.3bn) or self-financed (GBP2.2bn, including third-party grants and the use of reserves). Within these on-balance-sheet financings, the East London line extension (under the newly created brand Overground) is expected to cost GBP0.94bn. These and certain other projects related to the successful bid for the 2012 Olympic Games have increased the importance of TfL's capacity to manage its investment programme to ensure that it is on time and on budget.

One major expenditure item is connected with the PPP contracts - the infrastructure service charge (ISC) paid every four weeks to the infracos for the maintenance and renewal works they provide on the Tube network and rolling stock (see "*Contingent Liabilities*" below). Under a commitment made by the DfT in February 2003, this expenditure will be taken into account in the level of the transport grant. However, any necessary uplifts and adjustments in the grant will form part of the global negotiation with the central government.

Metronet in PPP Administration

Metronet operated two of the three infracos and was responsible for modernisation and upgrade of two-thirds of the tube network. This included responsibility for upgrading the sub-surface lines: the Circle, District, Hammersmith & City and Metropolitan lines, which will get new trains, together with a new signalling system and upgraded track layouts.

Metronet requested an extraordinary review through the PPP arbiter in order to obtain additional funding for cost over-run. It did not receive the funds. On 18 July 2007 a PPP administrator was appointed by the courts for Metronet's two companies following its failure to obtain the requested additional emergency funding for cost over-runs. TfL has lodged a formal bid to the administrator for the Metronet contracts and has extended about GBP897m in loans to the receiver to allow the Tube network to continue to operate while Metronet is in administration. Once formal acceptance of the bid has been granted, expected in the near future, the responsibility for upgrading the rail network previously undertaken by Metronet will fall to TfL.

Crossrail will be a Key Capital Expenditure Project in the Future

In October 2007 the government announced that the Crossrail project (a 118km overground and 41½km underground link beyond east and west London) will go ahead. The project will be delivered by Cross London Rail Links Ltd, a 50/50 JV between TfL and the DfT that will become a wholly owned subsidiary of TfL, expected in summer 2008. The link, part of which will use Network Rail's existing infrastructure, will start construction and upgrading in 2008. It is projected to be completed by 2017. The responsibility for operating this link will fall to TfL.

The construction is expected to cost about GBP16bn and will be financed by a mixture of government grants, a business rate levy (by the GLA) and funding from the TfL and the private sector. There is also a put option to the DfT if the costs breach a pre-determined level. The contribution of TfL to this project is estimated at about GBP2.7bn. TfL will take on additional debt for this amount, and this will be funded through the additional fares to be generated and by any business rate levy surplus not required by the GLA (as it will also borrow GBP3.5bn against this revenue), which will be passed to TfL. Crossrail is projected to add 2.1 million passenger-km to the TfL network during the morning peak hours.

Debt and Liquidity

Low But Growing Debt

Until 2004 TfL had no long-term financial debt. However, by FY07 financial debt had reached GBP1,350m. TfL has also significant long-term commitments in the form of finance leases (GBP2,569m at 31 March 2007), but 85% of the finance lease amount relates to the new assets acquired or modernised under the PPP contracts.

Overall total risk, as shown in the tables at the end of this report, totalled GBP3,920m at FYE07. Even before the high cash and liquid investment position is taken into consideration (GBP2,027m), this debt level appears moderate. Nevertheless, as a proportion of operating revenue, the percentage has increased to 78% from 27% in FY05. More than 56% of total risk matures in less than two years.

Borrowing Programme

TfL has established a GBP3.3bn borrowing programme under the prudential borrowing regime adopted for local authorities by parliament in September 2003. This will be used to raise external funding over the next five years (notably but not solely through an MTN programme with a ceiling of GBP3.3bn). The programme is designed to fully match the requirements identified in the business plan, although TfL will consider other means of accessing external funding. The issues will be denominated in pounds sterling only. The yearly amounts to be raised will depend on the annual authorisations granted by TfL's board. This borrowing programme will be increased by an additional GBP4,800m after the start of the Crossrail project and the related additional financing, and the financing TfL will need to undertake to finance the work that was to be by Metronet.

For FY07 the TfL board approved a cap of GBP604m on additional borrowing, which was reached. For FY08 the TfL board has approved a cap of GBP600m, of which GBP488m has already been borrowed from the Public Works Loan Board. The balance is to be drawn from the European Investment Bank (EIB) facility by end-March 2008. TfL raised the full amount approved in FY07, broken down as follows: GBP64m from the EIB (against a total line of agreed credit of GBP450m to be drawn until 2010); GBP199m from two bond issues; and the balance (GBP341m) from the Public Works Loan Board, a specialist lender to local governments.

On 5 February 2008, the put option (see "*Guarantees*" below) was exercised on LUL in relation to Metronet for about GBP1.74bn. The government has provided GBP1.7bn to TfL to cover this cost. After the exercise of the put option, the corresponding finance lease liabilities recorded will reduce.

Despite the increase in debt, TfL forecasts that debt servicing will not rise to more than GBP600m during the period of indebtedness. This means that it will still be below the 5% debt servicing ratio internal limit during the period.

Strong Liquidity Position

TfL and its subsidiaries have access to traditional liquidity facilities (bank overdrafts). Limits collectively total GBP20m. The limited amount of these facilities is mitigated by the fact that TfL has a very strong cash and liquid deposit position (GBP2,027m at FYE07), which is prudently managed. Also, TfL has board approval for an additional GBP50m short-term debt. Liquid deposits are invested in Sterling securities and in institutions with high credit ratings and for terms not exceeding one year. In cases of need they can be liquidated earlier.

Moreover, TfL could have access to the contingency fund (see "*Revenue*" above) from the Treasury in cases of extraordinary need.

Contingent Liabilities

Guarantees

Some PFI contracts contain commitments for TfL that could result in the payment of break costs in the event of early termination of the contracts.

TfL has provided performance guarantees to the International Olympic Committee as part of its successful bid for the 2012 games. However, these guarantees only apply to projects to be delivered. There are no fixed or implied amounts of capital expenditure.

PPP Obligations

The PPP is a suite of 30-year service contracts between LUL and three privately owned infracos for the maintenance and upgrade of the Tube's infrastructure. LUL remains the operating company, responsible for running the trains and stations, and determining the service pattern. The infracos were responsible for maintaining and upgrading the trains, stations, tracks, signalling and other infrastructure. A total of GBP16bn is to be invested in the underground infrastructure during the first 15 years. The infrastructure assets are on lease to the infracos, while the freehold of the assets remains with LUL. At the end of the 30 years, all the assets are to return to LUL.

The Tube Lines consortium started modernising and maintaining the Jubilee, Northern and Piccadilly lines on 31 December 2002. The Metronet consortium (now in administration) started work on the remaining lines on 4 April 2003.

The risks and obligations for LUL (and therefore for TfL) in relation to the infracos are twofold.

Contractual

- LUL is committed to paying the ISC every four weeks. The ISC may be increased or reduced according to whether the infracos' performance is above or below target.
- LUL may, in certain circumstances, need to substitute itself for the remaining infraco (the put option over Metronet has already been exercised) and repay 95%-100% of the debt (called the underpinned amount) .

Operational

- Volume or fare revenue risks remain in LUL's hands.

Back-up from Central Government

The DfT has issued a letter of comfort to the infracos' providers of finance. The letter ensures that ISCs are taken into account when setting the GLA transport grant. It also states that "in the event that LUL was unable to meet its financial obligations under any PPP contracts the secretary of state regards it as untenable that:

- He/She would not consider whether it was appropriate to make any payment of grant;
- He/She would stand by and do nothing in those circumstances."

Fitch regards the letter of comfort as not legally binding, but an expression of strong political commitment. However, as the exercising of the put option on Metronet liabilities and the GBP1.7bn extra-ordinary grants received from the government demonstrates, there is an element of moral hazard in the implementation of the letter of comfort: it is highly unlikely that the government would not bail out TfL, were it to face the huge financing requirements that could be triggered by PPP break-up clauses, because of:

- The objective importance and political visibility of the Tube for the city (and therefore for the whole country);
- The publicity given to the government's responsibility for (and support of) the PPP, which was also welcomed by the opposition parties; and
- The potential effect of a default[1] of TfL on the PPP for the financial community and the future of the whole PFI/PPP programme, which is the backbone of the UK's public infrastructure upgrading effort.

Pensions

Most TfL employees are members of the TfL Pension Fund, a defined-benefit scheme managed by a wholly owned subsidiary of TfL. The fund's actuary makes valuations every three years and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the fund. In the latest accounts (31 March 2007), the fund had a deficit of GBP948m under FRS17 standards. This FRS17 deficit is relatively unchanged since 31 March 2003 (GBP920m), because the increase in pension liabilities has occurred in the context of lower interest rates, offsetting the increases in employee contributions, and strong returns on investment. The pensions related to LUL (accounting for most of TfL's pension obligations) are subject to the agreement signed in February 2003 by the DfT, which undertakes any possible shortfall contained in the scheme at the date of transfer.

[1] Such a default, if it were to happen, would not be considered an event of default for issues made under the medium-term note programme

Transport for London (Consolidated)

(GBPm)	Actual				
	31 Mar 2003	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007
Infrastructure assets	9,777.1	9,844.8	10,309.4	11,274.0	12,485.9
Rolling stock	1,190.1	1,230.2	1,292.8	1,357.7	1,366.6
Other fixed assets	468.2	472.1	444.3	449.3	493.7
Other non-current assets	508.9	619.2	789.4	990.5	1,003.1
Other financial assets	0.0	0.0	0.0	0.0	0.0
Non-current assets	**11,944.3**	**12,166.3**	**12,835.9**	**14,071.5**	**15,349.3**
Stocks	5.2	5.7	5.0	5.1	4.3
Debtors	409.2	367.4	338.4	301.6	302.7
Other current assets	0.0	0.0	0.0	0.0	0.0
Cash, deposits and liquid investments	179.8	874.8	1,350.5	1,687.1	2,027.8
Current assets	**594.2**	**1,247.9**	**1,693.9**	**1,993.8**	**2,334.8**
Total assets	**12,538.5**	**13,414.2**	**14,529.8**	**16,065.3**	**17,684.1**
Borrowings and lease liabilities	35.3	173.5	453.7	544.7	527.8
Trade creditors	590.7	694.3	690.0	791.2	845.1
Other creditors	299.5	236.2	313.8	363.6	380.9
Accruals and deferred income	0.0	0.0	0.0	0.0	0.0
Current liabilities	**925.5**	**1,104.0**	**1,457.5**	**1,699.5**	**1,753.8**
Borrowings and lease liabilities	221.7	380.7	820.4	1,995.5	3,391.8
Other long-term creditors	9.7	22.9	11.7	18.2	22.1
Deferred grants	6,309.4	6,766.8	6,681.7	6,695.1	6,845.1
Pension and other liabilities	924.5	882.7	960.7	769.9	948.2
Provisions	152.1	136.5	217.5	260.2	248.2
Non-current liabilities	**7,617.4**	**8,189.6**	**8,692.0**	**9,738.9**	**11,455.4**
Net assets	**3,995.6**	**4,120.6**	**4,380.3**	**4,626.9**	**4,474.9**
Capital and reserves					
Issued ordinary shares	0.0	0.0	0.0	0.0	0.0
Share premium account	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	1,900.7	1,907.0	1,891.5	1,900.6
Other reserves	3,995.6	2,219.9	2,473.3	2,735.4	2,574.3
Profit and loss/revenue reserves	0.0	0.0	0.0	0.0	0.0
Total equity/minority interests	**3,995.6**	**4,120.6**	**4,380.3**	**4,626.9**	**4,474.9**
Debt schedule					
A. Debt structure					
Debt source					
Bank	34.3	0.0	0.0	334.4	675.1
Non-bank	0.0	0.0	195.6	411.5	671.1
Total debt	**34.3**	**0.0**	**195.6**	**745.9**	**1,346.2**
Finance leases	222.7	554.2	1,078.5	1,794.3	2,569.8
Total risk	**257.0**	**554.2**	**1,274.1**	**2,540.2**	**3,916.0**
Unfunded pension obligations	924.5	882.7	960.7	769.9	948.2
Total risk	**1,181.5**	**1,436.9**	**2,234.8**	**3,310.1**	**4,864.2**
Debt maturity					
Less than one year	35.3	173.5	453.7	544.7	527.8
One to two years	10.9	97.2	225.3	890.7	1,687.5
Two to five years	0.0	77.1	199.0	19.2	24.1
More than five years	210.8	206.4	396.1	1,085.6	1,680.2
Total debt	**257.0**	**554.2**	**1,274.1**	**2,540.2**	**3,919.6**
Cash and deposits	179.8	874.8	1,350.5	1,687.1	2,027.8
Net debt/(cash)	**77.2**	**-320.6**	**-76.4**	**853.1**	**1,891.8**
Guarantees issued	n.a.	5,488	5,484	5,488	5,488

Source: Transport for London

Transport for London (Consolidated)

(GBPm)	Actual 31 Mar 2003	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007
Income statement					
Operating revenues	**1,941.0**	**2,320.9**	**2,554.5**	**2,737.6**	**2,965.6**
Fares	1,637.3	1,776.8	1,949.1	2,068.0	2,269.4
Others	303.7	544.1	605.4	669.6	696.2
Operating costs	-3,419.7	-4,151.2	-4,425.8	-4,649.2	-4,870.5
Staff costs	-580.4	-668.5	-732.9	-790.0	-880.4
Other net operating expenditure	-2,597.7	-3,284.3	-3,479.1	-3,643.8	-3,754.3
Depreciation	-241.6	-198.4	-213.8	-215.4	-235.8
Operating profit from operations	-1,478.7	-1,830.3	-1,871.3	-1,911.6	-1,904.9
Transport grant and other transfers	**1,832.0**	**2,293.7**	**2,159.3**	**2,010.5**	**2,036.0**
Operating profit after transport grant	**353.3**	**463.4**	**288.0**	**98.9**	**131.1**
Other non-operating items	-343.7	-322.0	-239.3	-38.7	-71.1
Profit pre-interest	**9.6**	**141.4**	**48.7**	**60.2**	**60.0**
Interest receivable	31.4	18.2	55.4	58.2	70.4
Interest expensed	-23.3	-33.6	-65.7	-114.2	-199.4
Other financing income/(expense)	0.0	-20.5	-13.9	-7.9	23.9
Surplus (deficit)	**17.7**	**105.5**	**24.5**	**-3.7**	**-45.1**
Ratio analysis (%)					
Profitability					
Operating profit after transfers/total revenues including grants	9.36	10.04	6.11	2.08	2.62
Transfers and grants/total revenues including grants	48.56	49.71	45.81	42.34	40.71
Fares/total revenues including grants	43.40	38.50	41.35	43.55	45.37
Surplus(deficit) total revenues including grants	0.47	2.29	0.52	-0.08	-0.90
Credit ratios					
Total risk/total reserves	6.43	13.45	29.09	54.90	87.51
Total risk/total assets	2.05	4.13	8.77	15.81	22.14
Total risk/total revenues including grants	6.81	12.01	27.03	53.50	78.29
Cash & liquid deposits/total assets	1.43	6.52	9.29	10.50	11.47
Cash & liquid deposits/total risk	69.96	157.85	106.00	66.42	51.78
Interest revenue/financial expenses	134.76	54.17	84.32	50.96	35.31
Current assets/current liabilities	64.20	113.03	116.22	117.32	133.13

Source: Transport for London