Transportation
United Kingdom
Credit Analysis

Transport for London

Ratings

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

Outlook

Foreign Long-Term	Stable
Local Long-Term	Stable

Financial Data

Transport for London

	31 Mar 08	31 Mar 07
Operating revenue including grants(GBPm)	5,631.0	5,001.6
Direct debt (GBPm)	1,950.0	1,349.8
Total risk including finance leases (GBPm)	5,260.6	3,916.0
Operating profit/total revenue (including grants; %)	6.45	2.62
Total risk/total revenue (%)	93.42	78.37
Total risk/total assets (%)	27.42	22.16
Cash and liquid deposits/total risk (%)	36.18	51.73

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Related Research

- *International Rating Methodology for Local and Regional Governments*

Rating Rationale

- The ratings are underpinned by Transport for London's (TfL) importance to the economic development of the Greater London area and its strong links with the central government through block grants agreed by long-term settlements (now extended to 2017-2018). However, the ratings also take into account: TfL's ambitious capital spending plan, particularly the new Crossrail project; 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 about 50% of its total operating revenue in the fiscal year to end-March 2008 (FY08). Additional tangible evidence of government support is the extraordinary funding of GBP1.7bn received to compensate for the exercise of the put option by the providers of finance to Metronet, which TfL had to repay. TfL subsequently acquired the Metronet contracts.
- 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 somewhat if obligations under the finance lease representing the PPP projects are added. The business plan indicates additional direct debt of about GBP4.4bn by 2018. In view of the considerable increase in leverage going forward, the direct and indirect government support will become increasingly important to the rating.
- The Crossrail project will be an important future investment for TfL, and is expected to cost about GBP15.9bn with additional off-balance sheet financing of GBP1.5bn, part of which will be funded by TfL. Although the project will bear some risk for TfL, particularly if there is a cost overrun, there are sufficient safeguards in place (such as the put option to the central government), which will cap TfL's liabilities at a pre-determined level. However, Fitch will monitor the execution cost of the project against projections.

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 serves an urban area containing 7.5 million people and employs about 20,300 staff.

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, Olympic delivery authority and environment within the broader Greater London area. Most 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 2008-2009 is GBP11.3bn, of which the Metropolitan Police (30.9% of the total) and TfL (60.1%) are the main components. TfL is funded through a combination of block and tied grants from the central government and 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 grants 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 (GBP154m) and is funded through grants and a council tax precept. TfL's ratings are therefore not credit linked to the credit quality of the GLA (not rated), 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". 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.

New Mayor Set to Continue with TfL Strategic Policy

In May 2008, Boris Johnson of the Conservative Party became the new mayor of the GLA. Since 2000 the GLA had been led by Ken Livingston of the Labour Party. The policy of the new mayor is to maintain the strong focus on modernisation of the Tube infrastructure (part of which will continue to be undertaken under the PPP scheme), but with more emphasis on security - new officers will be recruited to police the network - and continued commitment to the Crossrail project. A revised Transport Strategy plan formulated by the new mayor is expected to be published in 2009.

Transport in London a Key National Political Issue

The Greater London area is home to about 7.5 million people, representing more than 12% of the UK's population. It is expected to have 8.1 million inhabitants by 2016. 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. 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.

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 and, accordingly, is required to deliver a balanced budget. The principal methodology applied by Fitch for the rating of TfL is its criteria presented in *International Rating Methodology for Local and Regional Governments*, published on 8 July 2008 and available at www.fitchratings.com, but the agency has used a corporate presentation for the financials in the Appendix.

TfL's 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 but upto agreed limits. 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

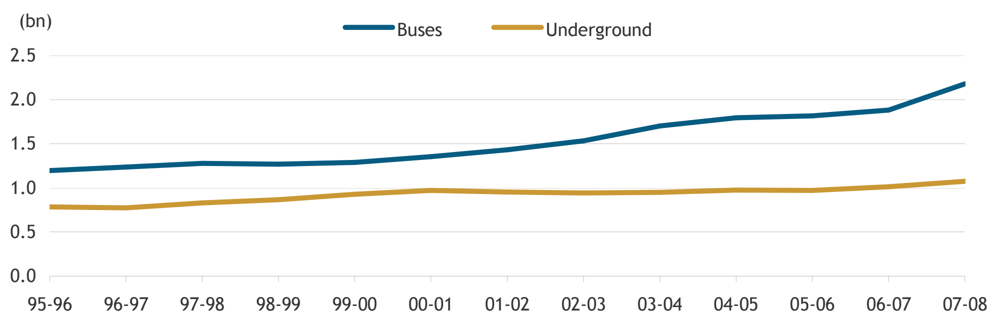
Fares Critical but Offer Little Flexibility

Fares accounted for 74.5% of own revenue (excluding grants) in FY08, up by 7.8% in monetary terms on FY07. Fares are an important source of income for the TfL budget. Fares from the Tube represented 58% of total fare income in FY08, and those from the buses 40%, with the balance from the DLR and trams.

Nevertheless, there is little room for substantially increasing fares in the future as the 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 GBP1.60 when purchased with a prepaid Oyster Card). The fare structure is highly sophisticated, however, with pricing innovation (such as off-peak prices and family discounts), and is much more market oriented than in other cities.

Fares are the sole responsibility of the mayor. The Business Plan covering 2007-2018, include a small but regular increase in fares at retail price index (RPI) plus 1%.

Passenger Journeys per Annum



Source: TfL

TfL has a monopoly position in the organisation of urban transport in London. It is not exposed to competition in its role of integrated transport provider. The risk of Londoners significantly reducing their use of urban transport facilities is 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.

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 only 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 2.2 billion in FY08 (2.1 billion in FY07). Nevertheless, the present economic slowdown will inevitably affect transport patronage and therefore revenue. During the previous UK recession in the 1990s there was a revenue reduction of GBP100m.

Despite the prospects 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 congestion charge in central London have also contributed 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 2008 LUL carried close to 1.1 billion passengers.

The risk of reduced patronage in the long term has not ceased to exist and has materialised in the past. However, Fitch is confident that the current strategy and priority given to transport reduce this risk and the flexibility to be able to reduce contingency expenditure by up to GBP670m would allow TfL to absorb a modest and temporary reduction in overall patronage without negative effects on its credit profile.

Central Government Grants Still Crucial

Grants are a prominent item in TfL's revenue. They are part of the DfT's settlement and are 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. The most recent spending review, in February 2007, covering a 10-year period, demonstrated continued strong financial support from the central government, with grants totalling GBP33.3bn for 2008-2018. This financing agreement has now been incorporated into the revised business plan (see "Business Plan to 2018" below).

Congestion Charging: a Qualified Strategic Success

On 17 February 2003 TfL launched the congestion charge, aimed at reducing 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 FY08 revenue from the congestion charge totalled GBP328.2m, while expenditure for operating it was GBP186m. However, the results of the electoral promise by the new mayor to hold a consultation on the extension of the congestion charge indicated overwhelming disapproval for the extension and it has been decided to abolish this part by 2010.

Expenditure

Staff Costs and Energy Prices Putting Upward Pressure on Expenditure

The TfL group employed about 20,300 people, and staff costs make up about 19% of operating costs (including depreciation). As expected, the 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 by 4% in FY07 and RPI plus 0.5% thereafter (or 3%, whichever is greater). This growth will have to be matched on the revenue side.

In order to more closely control energy costs, TfL has changed its strategy from fixing energy costs annually to a rolling procurement method.

A Large Proportion of Expenditure Made up of Contracts

TfL has outsourced some of the execution of operations, 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. The DLR and London Overground is also run under a concessionary system, in which the private contractor provides infrastructure and rolling stock, while TfL makes availability payments.

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), although TfL has exercised the early termination of the ticketing PFI contract and will undertake this responsibility directly from 2010.

Present Capital Expenditure Includes PFI/PPP

TfL has an ambitious capital expenditure programme with the goal of increasing capacity in the Tube by 30% by 2022. Part of TfL's capital expenditure is through PPP projects. Investment by the group in FY08 was about GBP2.7bn and a total investment of GBP24.2bn is projected by the end of the business plan period, of which about 17% will be funded through debt.

The PPP contracts is being financed through the Infrastructure Service Charge (ISC), which is paid every four weeks to Tube Lines (the only remaining infrastructure company (infraco) undertaking the maintenance and renewal works on the network (see "A Number of Contingent Liabilities" below). Under a commitment made by the DfT in February 2003, this expenditure has been taken into account in the level of the transport grant. However, any necessary increases and adjustments in the grant will form part of the global negotiation with the central government.

The PPP projects requires to be reviewed as from July 2010 to cover the period for the next 7 ½ years. Under the submission to the Arbiter, Tube Lines quantified the total cost over this period as GBP7.2bn against TfL's calculation of GBP4.1bn. The Arbiter suggested that it should be in the range of GBP5.1-5.5bn. Although no final decision has yet been taken there may be a funding shortfall.

Capital Expenditure and Financing

(GBPm)	2005	2006	2007	2008
Total	1,157.4	1,784.9	1,863.7	2,163.7
Financed by				
PPP	712.1	887.6	1,123.1	1,093.1
Borrowing	195.6	550.0	465.0	674.6
Grants	241.4	157.9	236.6	214.0
Other	8.3	189.4	39.0	182.0

Source: TfL

Metronet contracts acquired by TfL

Metronet operated two of the three infracos and was responsible for the 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-runs. The PPP Arbiter did not agree on Metronet's figures and 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. TfL lodged a formal bid to the administrator for the Metronet contracts and extended about GBP897m in loans to the receiver to allow the Tube network to continue to operate while Metronet was in administration. The administrator accepted TfL's bid for the contracts and these were transferred to TfL in May 2008 for a cash consideration of GBP50m. Therefore, the responsibility for upgrading the rail network previously undertaken by Metronet has fallen to TfL and TfL has created two companies to undertake this. At the same time, the banks that had extended the financing to the Metronet companies exercised their put option on the facilities granted and TfL had to pay GBP1.75bn under the guarantee. At the same time, TfL received an extraordinary grant from the government of GBP1.7bn to finance most of the put option.

Crossrail to Be a Key Capital Expenditure Project

In October 2007 the government announced that the Crossrail project (a 118km overground and 41.5km underground link beyond east and west London) will go ahead. The project will be delivered by a subsidiary of TFL, Crossrail Ltd. The link, part of which will use Network Rail's existing infrastructure, will start construction and upgrading in 2010 and is projected to be completed by 2017. The responsibility for operating this link will fall to TfL.

The construction is expected to cost about GBP15.9bn with an additional GBP1.5bn off balance sheet financing and will be financed by a mixture of government grants (GBP5.6bn), a supplementary business rate levied by the GLA and advanced upfront through debt taken by the GLA (GBP3.5bn), funding from TfL (GBP4.3bn) and the private sector and Network Rail. There is also a put option to the DfT if the costs breach a pre-determined level. TfL will take on additional debt to fund part of its contribution under prudential borrowing authorisation received and contained within the business plan projections. Crossrail is projected to add 2.1 million passenger-kms to the TfL network during the morning peak hours.

Although the project will carry some risk for TfL, particularly if there is a cost over-run, there are sufficient safeguards in place (such as the put option to the central government) that will limit liabilities to a pre-determined level, with a worst-case scenario maximum liability capped at about GBP600m on abandonment of the project. However, Fitch will monitor execution of the project against projections.

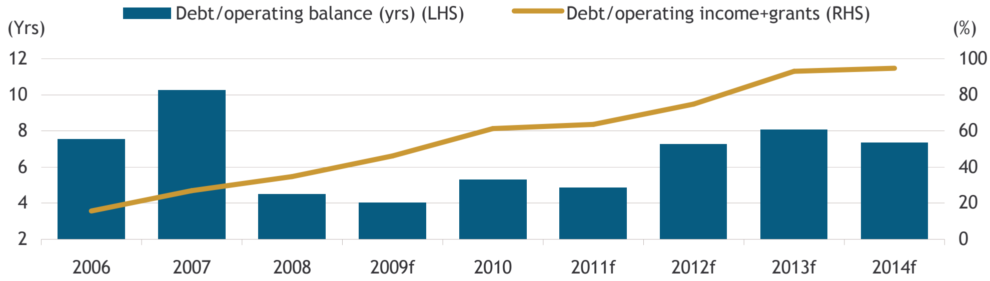
Business Plan to 2018

Following the 2007 spending review and confirmation of TfL's funding covering the period to 2018, a new 10-year business plan was published. The plan covered all the major expected capital expenditure, including PPP financing and the Crossrail project and the mayor's electoral commitments. The plan also captured the prudential borrowing with a forecast increase in direct debt (excluding finance lease obligations) of the TfL group to GBP7.7bn by the end of the period.

A major part of the plan will be the Crossrail project, and the plan assumes both a continued increase in patronage and tariff increases linked to RPI plus 1% per year. Fare revenue is projected to increase from the present GBP2.7bn to GBP4.6bn by end-2018 – a 74% increase. However, given the present economic conditions this forecast may be over-optimistic. If the resulting increase in fares is below the projected amount TfL does have some flexibility to cut back or delay some capital expenditure (this flexibility has increased since it absorbed the PPP Metronet contracts), and it has identified contingency cost savings of about GBP670m per year.

Fitch believes that TfL's credit profile resulting from the business plan is still in line with its present rating. Nevertheless, Fitch will closely monitor the match between actual results and business plan projections to assess the impact of any substantial negative deviations.

Actual and Business Plan Forecast



f = forecast
Source: TfL and Fitch calculations

Debt, Contingent Liabilities and Liquidity

Growing Debt

Until 2004 TfL had no long-term financial debt. However, by FYE08 financial debt had reached GBP1,950m. TfL also has significant long-term commitments in the form of finance leases (GBP2,754m at FYE08), but most of the finance lease amount relates to the new assets acquired or modernised under the PPP contracts. Since the acquisition of Metronet the lease liabilities have reduced.

Overall total risk, as shown in the appendices, totalled GBP5,260m at FYE08. Even before the high cash and liquid investment position is taken into consideration (GBP1.9bn), this debt level is moderate. Nevertheless, total risk (including lease liabilities), as a proportion of operating revenue and grants, has increased to 93% from 12% in FYE04.

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). So far GBP592m has been issued in bonds.

For FY09 the TfL board approved a cap of GBP1.1bn on additional borrowing, of which GBP780m was drawn at the date of this report, from the Public Works Loan Board (PWLB), a state-owned specialist lender to local governments. The balance is to be drawn from the European Investment Bank (EIB) facility (GBP190m) and the PWLB (GBP97m). In addition, there will be a debt absorption of GBP183m relating to the DLR Woolwich Arsenal extension project, undertaken under a PFI scheme with the corresponding assets transferred to TfL.

Despite the increase in debt under the business plan, TfL projects that debt servicing will not rise to more than GBP600m during the period of indebtedness given the extended nature of the debt amortisations. This means that it will still be below the 5% debt servicing ratio internal limit during the period.

A Number of Contingent Liabilities

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 provided performance guarantees to the International Olympic Committee as part of London's 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.

The remaining PPP project is a 30-year service contracts between LUL and Tube Lines 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 infrastructure assets is leased to Tube Lines 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 risks and obligations for LUL (and therefore for TfL) in relation to the infracos are contractual and operational.

Contractual risks and obligations are as follows:

- LUL is committed to paying the Infrastructure Service Charge (ISC) every four weeks. The ISC may be increased or reduced according to whether Tube Lines' performance is above or below target.
- LUL may, in certain circumstances, need to substitute itself for Tube Lines and repay 95%-100% of the debt (called the underpinned amount). The guarantee for Tube Lines' facilities is for GBP1.8bn.
- Operationally, volume and fare revenue risks remain in LUL's hands.

The DfT has issued a letter of comfort to Tube Lines' 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 would not consider whether it was appropriate to make any payment of grant;
- He would stand by and do nothing in those circumstances."

Fitch does not regard the letter of comfort as legally binding, but as an expression of strong political commitment. However, the exercising of the put option on Metronet liabilities and the GBP1.7bn the simulatenous extraordinary grants received from the government set a precedent for bail-out from central government in case of need.

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 most recent accounts (31 March 2008), the fund had a deficit of GBP606.8m under FRS17 standards. This FRS17 deficit is considerably lower than at FYE07 (GBP948m), due to a significant reduction in the actuarial valuation of liabilities.

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 (GBP1,903m at FYE08), which is prudently managed. TfL also has board approval for an additional GBP50m of short-term debt.

Liquidity is closely monitored. All the deposits are now placed with UK government-guaranteed financial intuitions. It has a total of GBP60m deposited with Lehman Brothers' German subsidiaries, which are guaranteed by the German authorities, and GBP40m with Kaupthing Singer & Friedlander (in administration), of which TfL expects to recover a substantial amount.

Transport for London (consolidated)

(GBPm)	Actual 31 Mar 04	31 Mar 05	31 Mar 06	31 Mar 07	31 Mar 08
Infrastructure assets	9,844.8	10,309.4	11,274.0	12,485.9	13,272.7
Rolling stock	1,230.2	1,292.8	1,357.7	1,366.6	1,374.5
Other fixed assets	472.1	444.3	449.3	493.7	496.1
Other non-current assets	619.2	789.4	990.5	1,003.1	1,572.6
Other financial assets	0.0	0.0	0.0	0.0	0.0
Non-current assets	**12,166.3**	**12,835.9**	**14,071.5**	**15,349.3**	**16,715.9**
Stocks	5.7	5.0	5.1	4.3	4.2
Debtors	367.4	338.4	301.6	302.7	562.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Cash, deposits and liquid investments	874.8	1,350.5	1,687.1	2,027.8	1,903.1
Current assets	**1,247.9**	**1,693.9**	**1,993.8**	**2,334.8**	**2,469.3**
Total assets	**13,414.2**	**14,529.8**	**16,065.3**	**17,684.1**	**19,185.2**
Borrowings and lease liabilities	173.5	453.7	544.7	527.8	556.5
Trade creditors	694.3	690.0	791.2	845.1	906.2
Other creditors	236.2	313.8	363.6	380.9	462.4
Accruals and deferred income	0.0	0.0	0.0	0.0	0.0
Current liabilities	**1,104.0**	**1,457.5**	**1,699.5**	**1,753.8**	**1,925.1**
Borrowings and lease liabilities	380.7	820.4	1,995.5	3,391.8	4,704.1
Other long term creditors	22.9	11.7	18.2	22.1	26.1
Deferred grants	6,766.8	6,681.7	6,695.1	6,845.1	6,861.8
Pension and other liabilities	882.7	960.7	769.9	948.2	606.8
Provisions	136.5	217.5	260.2	248.2	249.7
Non-current liabilities	**8,189.6**	**8,692.0**	**9,738.9**	**11,455.4**	**12,448.5**
Net assets	**4,120.6**	**4,380.3**	**4,626.9**	**4,474.9**	**4,811.6**
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	1,900.7	1,907.0	1,891.5	1,900.6	1,869.7
Other reserves	2,219.9	2,473.3	2,735.4	2,574.3	2,941.9
Profit and loss/revenue reserves	0.0	0.0	0.0	0.0	0.0
Total equity/minority interests	**4,120.6**	**4,380.3**	**4,626.9**	**4,474.9**	**4,811.6**
Debt schedule					
A. debt structure					
Debt source					
Bank	0.0	0.0	334.4	752.2	1,357.1
Non-bank	0.0	195.6	411.5	592.6	592.9
Total financial debt	**0.0**	**195.6**	**745.9**	**1,349.8**	**1,950.0**
Other Fitch classified debt (PPP obligations)	554.2	1,078.5	1,794.3	2,569.8	3,310.6
Total risk before pension obligations	**554.2**	**1,274.1**	**2,540.2**	**3,916.6**	**5,260.6**
Unfunded pension obligations	882.7	960.7	769.9	948.2	606.8
Total risk	**1,436.9**	**2,234.8**	**3,310.1**	**4,867.8**	**5,867.4**
Debt maturity					
Less than 1 year	173.5	453.7	544.7	527.8	556.5
1 to 2 years	97.2	225.3	890.7	1,687.5	2,405.4
2 to 5 years	77.1	199.0	19.2	24.1	29.7
More than 5 years	206.4	396.1	1,085.6	1,680.2	2,269.0
Total risk	**554.2**	**1,274.1**	**2,540.2**	**3,919.6**	**5,260.6**
Cash & deposits	874.8	1,350.5	1,687.1	2,027.8	1,903.1
Net debt/(cash)	**-320.6**	**-76.4**	**853.1**	**1,891.8**	**3,357.5**
Outstanding risk under guarantees	n.a.	5,484	5,488	5,757	3,107

Source: TfL and Fitch

Transport for London (Consolidated)

	Actual				
(GBPm)	31 Mar 04	31 Mar 05	31 Mar 06	31 Mar 07	31 Mar 08
Income statement					
Revenue	2,320.9	2,554.5	2,737.6	2,965.6	3,278.8
Fares	1,776.8	1,949.1	2,068.0	2,269.4	2,445.8
Others	544.1	605.4	669.6	696.2	833.0
Operating costs	-4,151.2	-4,425.8	-4,649.2	-4,870.5	-5,267.8
Staff costs	-668.5	-732.9	-790.0	-880.4	-997.7
Other net operating expenditure	-3,284.3	-3,479.1	-3,643.8	-3,754.3	-4,024.5
Depreciation	-198.4	-213.8	-215.4	-235.8	-245.6
Operating profit from operations	**-1,830.3**	**-1,871.3**	**-1,911.6**	**-1,904.9**	**-1,989.0**
Transport grant and other transfers	2,293.7	2,159.3	2,010.5	2,036.0	2,352.2
Operating profit after transport grant	**463.4**	**288.0**	**98.9**	**131.1**	**363.2**
Other non-operating items	-322.0	-239.3	-38.7	-71.1	68.0
Profit pre-interest	**141.4**	**48.7**	**60.2**	**60.0**	**431.2**
Interest receivable	18.2	55.4	58.2	70.4	113.5
Interest expensed	-33.6	-65.7	-114.2	-199.4	-289.3
Other financing income/(expense)	-20.5	-13.9	-7.9	23.9	18.8
Net exceptional items	0.0	0.0	0.0	0.0	-258.7
Surplus (deficit)	**105.5**	**24.5**	**-3.7**	**-45.1**	**15.5**
Ratio analysis					
Profitability (%)					
Operating profit after transfers/total revenues including grants	10.04	6.11	2.08	2.62	6.45
Transfers and grants/total revenues inc. grants	49.71	45.81	42.34	40.71	41.77
Fares/total revenue including grants	38.50	41.35	43.55	45.37	43.43
Surplus(deficit) total revenues including grants	2.29	0.52	-0.08	-0.90	0.28
Credit ratios					
Total risk (before pension obligations)/total reserves (%)	34.87	51.02	71.54	108.78	109.33
Total risk (before pension obligations)/total assets (%)	4.13	8.77	15.81	22.16	27.42
Total risk (before pension obligations)/total revenue including grants (%)	12.01	27.03	53.50	78.37	93.42
Cash and liquid deposits/total assets (%)	6.52	9.29	10.50	11.47	9.92
Cash and liquid deposits/total risk (%)	157.85	106.00	66.42	51.73	36.18
Interest revenue/financial expenses (%)	54.17	84.32	50.96	35.31	39.23
Current assets/current liabilities (%)	113.03	116.22	117.32	133.13	128.27
FFO/net debt (%)	-1.8	-0.9	-5.9	-19.0	374.8
Net development/EBITDA (%)	-132.2	-230.2	-299.5	-184.8	7.7
EBITDA/interest	43.0	48.7	5.6	2.8	3.5
Gearing (%)	34.9	51.0	71.5	108.8	121.9

Source: TfL and Fitch