United Kingdom
Full Rating Report

Transport for London

Ratings

Foreign Currency

Long-Term Rating	AA+
Short-Term Rating	F1+

Local Currency

Long-Term Rating	AA+

Outlooks

Long-Term Foreign-Currency Rating	Stable
Long-Term Local-Currency Rating	Stable

Financial Data

Transport for London

	31 Mar 10	31 Mar 09 [a]
Operating revenue including grants (GBPm)	4,961.9	4,758.3
Direct debt (GBPm)	4,125.5	3,090.9
Total risk including finance leases (GBPm)	7,064.5	5,948.3
Operating profit/total revenue (including grants; %)	-22.43	-26.52
Total risk/total revenue (%)	142.37	125.01
Total risk/total assets (%)	29.61	27.08
Cash and liquid deposits/ total risk (%)	21.37	33.65

[a] Restated

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Related Research

Applicable Criteria

- *Tax Supported Rating Criteria* (August 2010)
- *Rating of Non-US Public Sector Entities* (September 2009)

Rating Rationale

- The rationale for the upgrade of Transport for London's (TfL) ratings follows Fitch Ratings' reassessment of TfL's sponsor. The agency's public-sector entity criteria have credit-linked TfL's rating to that of the UK sovereign ('AAA'/ Stable/'F1+') rather than to Fitch's assessment of the credit profile of the Greater London Authority (GLA, not rated).
- The link to the sovereign is due to the strong oversight of TfL by the central government, a high level of public funding, TfL's strategic importance for the UK's economy as a whole, and debt limits established by the central government under the Comprehensive Spending Review (CSR). Fitch believes that the GLA would not have the resources to give extraordinary support to TfL.
- Tangible central government support is evidenced from the fact that 40% of TfL's total revenue comes from the central government through grants. The CSR supports the GLA transport grant of GBP10.7bn over four years, which is GBP2.2bn less than in the previous settlement. Despite this cut, the government has part-funded TfL's investment plan and pledged to support TfL's long-term commitments.
- Use of the London Underground (LU or Tube) has been negatively affected by the economic slowdown. However, TfL forecasts patronage to increase across all modes of transport in the financial year to end-March 2011 (FY11). Fare revenue has not declined due to a rise in ticket sales compensating for the decrease in Tube patronage.
- TfL's ambitious capital expenditure plan has increased its debt. Since the acquisition of Tube Lines in June 2010, finance lease obligations have become direct debt. The business plan forecasts direct debt to increase by GBP1.8bn between FY12 and FY15, leading to total indebtedness of GBP6.6bn (excluding Tube Lines debt). With this increasing debt, support from the government will become increasingly important to the rating.
- The Crossrail project will be TfL's most important investment. TfL will primarily confront risks relating to cost over-runs, although its exposure has been capped at GBP7.1bn. Fitch will monitor the project's execution cost against the projections.

Key Rating Drivers

- A rating downgrade could arise from central government's weakening support or a substantial decrease in revenue not matched by tangible support.
- An upgrade could arise from a stronger commitment and closer or more direct links with the central government.

Profile

TfL is considered a local authority (LA) and is a functional body of the GLA and reports to the mayor of London. In 2000, when TfL was created, it took over all responsibilities for London buses and other transport functions from the central government. It is also responsible for roads, bridges, the Dockland Light Railway (DLR), river services and taxis. In July 2003, London Underground Limited (LUL) was passed to TfL.

Rating History

Date	Long-Term Foreign-Currency	Long-Term Local-Currency
17 March 04	AA	AA

- Public-sector entity linked to the central government

Legal and Accounting Framework

Links Between the GLA, Central Government and TfL

The GLA, established in 1999, has a strategic role in London's planning and operations. The GLA has a mayor and a 25-member assembly, both of which are directly elected every four years. The main responsibilities of the GLA are transport, policing, fire and emergency planning, culture and the environment within the broader Greater London area.

Four separate functional bodies undertake these responsibilities: TfL, the Metropolitan Policy Authority, the London Fire Emergency Planning Authority and the London Development Agency. The GLA and its functional bodies have an aggregate budget (excluding debt raising) for FY11 of GBP14bn (FY10: GBP12.2bn). Of this, the main components are the TfL, representing 66% of the total, and the Metropolitan Police with 26%. The GLA itself only accounts for a minor part of the budget (GBP356m including the assembly and mayor) and is funded through grants and a council tax precept.

The funding for TfL comes from a combination of central government block and tied grants and own revenue, such as fares. The GLA channels the block grants but has no authority to intercept these moneys or use the funding for anything other than the intended purposes. As a result, the grants cannot be used to fund shortfalls in one functional body through surpluses in another.

Fitch considers TfL a public-sector entity. Until now the sponsor under Fitch's criteria was considered to be the GLA. However, given the importance of central government funding and support, it is more accurate to reconsider the sponsor as the UK central government, as the GLA would not have the funding or resources to assist or bail out the functional body if necessary.

Central Government Grants Key to the Rating

Grants from the central government through the Department for Transport (DfT) represent 40% of TfL's total revenue. Although the government has cut the transport grant, it has part-funded TfL's investment plan and pledged to support TfL's long-term commitments.

The central government's support for upgrading the capital city's transport network has been underlined in the context of the 2012 Olympic Games. About GBP6bn of TfL's investment programme will directly support the games, of which GBP5.5bn was already planned before the bid. All schemes directly related to the Olympics are either completed or on schedule. The organisation of the games has eased the implementation of the mayor's transport strategy, although the financial support delivered by the central administration will be monitored by Fitch.

TfL Responsible for All Transport Modes, Including Overground Rail

TfL has been responsible for most transport in London, including buses, DLR, major roads, river transport, cycling, trams, and taxis and private hire since 2000. It has also been responsible for the Tube since July 2003.

Since autumn 2007, it has taken on some overground rail service. The TfL brand London Overground includes the East London Line, reopened in May 2010, and the North London Railway.

TfL's Strategic Policy Set by the Mayor

Boris Johnson of the Conservative Party became the mayor of London in May 2008. Before him, Ken Livingstone of the Labour Party had led the GLA since 2000.

Mr Johnson's policy is to maintain the aim of modernising the Tube infrastructure but with more emphasis on security, as well as a commitment to the Crossrail project. In 2009, the mayor presented a revised Transport Strategy Plan that included commitments to reduce traffic congestion, continue to improve the Tube infrastructure and increase capacity, as well as to encourage alternative forms of transport in the capital, such as cycling.

Strategic Importance of the Economic Development of London

Greater London is home to about 7.6 million people, representing 12% of the UK population. The GLA estimates that the population will rise by 800,000 by 2021 and by 1.3 million over the next 20 years, and the workforce will grow by 400,000.

London provides 21% of national gross value added, and plays a central role in international competitiveness. In this context, economic development of the metropolis relies on urban transport in terms of a mobile workforce, efficient communications network, and quality of life for residents.

Finance and Performance

- TfL's main source of revenue remains fares on the LU and bus network

Accounting Regime Primarily Based on Local Authority Framework

In 1999, the GLA Act treated TfL as a LA for accounting purposes and as a result it is required to deliver a balanced budget. TfL's subsidiaries are subject to the accounting requirements of the Companies Act and are consolidated into the statement of accounts. KPMG is the external auditor of TfL's accounts.

Since 2004, a prudential borrowing scheme has been in place for LAs, including GLA and its functional bodies. This regime allows TfL to borrow without prior approval from the DfT up to agreed limits. The new system is largely based on self-regulation by LAs.

Revenue

Fares Critical But Offer Little Flexibility

A significant part of TfL's own revenue comes from fares, around 89% in FY10, although less as a share of total revenue (including grants). Figure 1 breaks down revenue and fares by business area.

The fare structure is highly complex, with off-peak prices and family discounts, and is much more market oriented than in other cities. LU fares rose on average by 3.9% in January 2010 (5.8% in January 2009) and bus fares by 12.7% (6.3% in January 2009). The preferred method of payment remains the Oyster card, an electronic ticketing system. Oyster card "pay as you go" fares represented 37% of total fares, with only 2.6% paid in cash. Travel cards and bus passes, which are fares prepaid and receipts in advance, totalled GBP188m in FY10.

The mayor of London has sole responsibility for the fares. To help fund the capital expenditure programme, he is committed to increasing fares at the retail price index (RPI) plus a percentage increase. The business plan covering FY12-FY15 includes a RPI + 2% increase for the bus and Tube and RPI + 3% for the National Rail from FY12.

Figure 1

Fare Revenue and Patronage

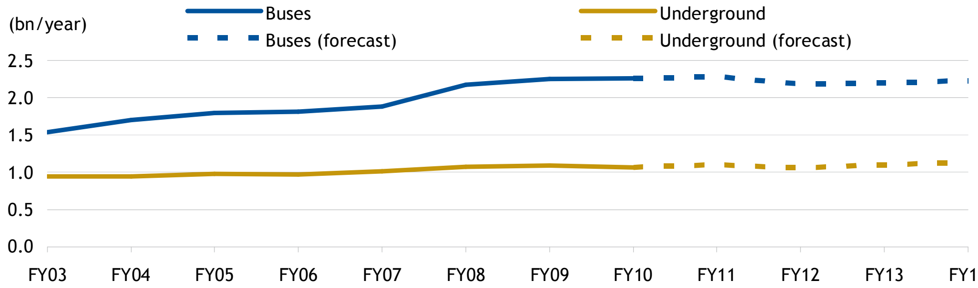
	FY11 forecast[c]			FY10			FY09			FY08		
	Fares[a]	(%)	Patronage[b]	Fares[a]	(%)	Patronage[b]	Fares[a]	(%)	Patronage[b]	Fares[a]	(%)	Patronage[b]
London Underground	1,887	52	1,098	1,796	50	1,065	1,769	51	1,089	1,655	50	1,072
Buses (surface transport)	1,656	46	2,284	1,560	43	2,257	1,528	44	2,247	1,524	46	2,176
Docklands Light Railway	170	5	74	142	4	69	120	3	66	78	2	67
London Tramlink (incl Tube Lines)	104	3	27	97	3	27	35	1	27	23	1	26
Total	**3,817**		**3,483**	**3,595**		**3,418**	**3,452**		**3,429**	**3,280**		**3,341**

[a] (GBPm)
[b] Passenger journeys (m)
[c] Q2 operational and finance report
Source: TfL

Patronage for both the Tube and buses increased year on year between the creation of TfL and FY10. Although the economic downturn has reduced patronage, TfL estimates that it will recover in the next few years. In fact, for all modes of transport, the forecasts for Q3 of FY11 have been better than the patronage forecast in the business plan issued in 2009, as the London economy has exceeded expectations in terms of resilience to the wider economic downturn and recovery in passenger demand.

Fitch expects the long-term trend to be positive due to the rising population in the urban area, resulting in greater demand, as well as to the enhanced service and network quality. The central London congestion charge has also increased the use of public transport.

Figure 2
Passenger Journeys



Source: TfL

London Underground: The Tube was the largest contributor to fare revenue in FY10, with 50% of fare income. The number of passenger journeys was over 1 billion, the largest number ever recorded, with 3.5 million journeys a day over its 69.4km of lines.

The former Metronet undertakings, which had entered into public private partnership (PPP) administration in 2007, were taken over by LUL in May 2008. Considerable investment in upgrading and capacity increases is still taking place. Some of this was undertaken through a PPP.

Tube Lines, the other PPP provider, was acquired by TfL in June 2010 for a cash consideration of GBP310m. Following the acquisition TfL initially intends to maintain Tube Lines as a separate company and Amey (the previous shareholders) will continue to provide management and maintenance services. TfL will, however, review the Tube upgrade programme to identify cost savings and minimise passenger disruption, and will also review the structure of Tube Lines.

Surface Transport: Surface transport includes buses, congestion charging, cycling, walking, roads, bridges and tunnels, and traffic signalling. 43% of total fare revenue comes from surface transport, and more than 2,257 million passenger journeys on 8,500 buses were operated in FY10 over its 483km network. Bus use in London has grown well above targets due to a combination of increased investment and the introduction of measures to support public transport.

Some execution of operations has been outsourced, including bus services, all of which are operated by private companies on five-year contracts. Six companies control 90% of the bus routes. Expenditure related to bus operator contracts has increased due to 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.

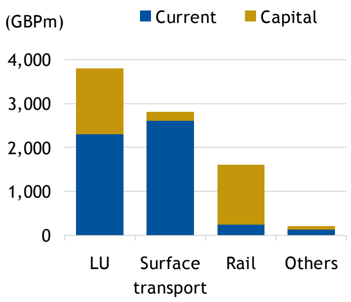
Rail: Both the London Overground network and DLR are included here. DLR passenger journeys increased slightly in FY10, to 69 million from 66 million in FY09, partly due to improvements and to construction work undertaken during FY10. However, this area of activity is likely to increase in importance, due to its role as a vital transport link for the 2012 Olympics and to the opening of Crossrail.

Grants: These are a prominent part of TfL's total revenue. Government funding is regulated by the spending review process, which sets a global funding package for a four-year term. The latest government CSR, published in October 2010, indicated a reduction in central government grants. However, TfL will also receive an investment grant, which offsets the decrease in the general grant to a certain extent.

These changes have been incorporated into the revised business plan. The GLA transport grant of GBP10.7bn over four years comprises the London investment grant of GBP3.6n, supporting the delivery of TfL and government shared priorities, and the general grant of GBP7.2bn, which has been subject to 28% real-terms cut, in lines with other LA grants made by the DfT.

Figure 3

Breakdown of Expenditure FY10



Source: TfL

Congestion Charging: A Qualified Strategic Success

TfL launched the congestion charge in 2003, which aimed at reducing the number of cars entering the most congested central areas. A private contractor operates the system. In terms of restriction of car traffic and increase in bus patronage, it has been extremely successful; however, it is generating less revenue than expected. In FY10, revenue from the congestion charge was GBP312.6m, while operating expenditure was GBP154.5m.

The charge was raised to GBP8 from GBP5 in July 2005 and again to GBP9 for account holders and GBP10 for non-account holders at end-2010. An automated charge system was introduced in January 2011, meaning that motorists who register for an account can pay by debit or credit card or by direct debit and avoid the possibility of ever receiving a penalty charge.

The western portion of central London was included in the congestion charging zone in February 2007. However, following a consultation the mayor decided to remove the western extension after 24 December 2010.

Expenditure

Staff Costs and PPP Charges the Main Components of Operating Expenditure

The TfL group is one of the largest employers in London. Personnel costs make up 34% of operating costs (including depreciation). At FYE10, the average number of staff was 27,416, down from 28,679 at FYE09.

For FYE09, payments for PPP and private-finance initiatives (PFIs) represented around 50% of operating costs. However, due to the sale of Tube Lines in June 2010, these payments decreased for FY10. At FYE11, TfL will no longer have any PPPs. Until now, LUL has had three major procurement areas contracted to PFIs, covering power, communications and ticketing. TfL implemented the early termination of its ticketing contract with Prestige PFI in August 2010 and now undertakes direct responsibility.

The Infrastructure Service Charge has until now financed the PPP contract, paid every four weeks to Tube Lines. Before June 2010, this was the only remaining infrastructure company undertaking network maintenance and renewal works.

Capital Expenditure Includes Tube Infrastructure and Crossrail

TfL's ambitious capital expenditure plan includes increasing the capacity on the Tube by 30% and rail by 10% by end-2020. Now under TfL, Tube Lines will continue to undertake part of TfL's capital expenditure. GBP3.1bn or 48% of the capital expenditure in FY10 was on the Tube. The second period of the Tube upgrade was expected to be undertaken via a PPP project and will include the upgrade of the Piccadilly Line. However, since the acquisition of Tube Lines, the upgrade will be undertaken directly by TfL.

The largest single capital expenditure project for TfL is Crossrail. This consists of 118km of rail linking Heathrow in west London and Maidenhead in Berkshire with Shenfield in Essex and Abbey Wood in south-east London. Crossrail Ltd will deliver the project. Part of the link will use the Network Rail's existing infrastructure. Construction and upgrading has started this year and is projected to be completed by 2018, extended by one year from the business plan published in 2009. TfL will be responsible for operating this link.

The cost of construction has been estimated at GBP14.5bn. Funding will come from a mixture of government grants of GBP5.2bn (which includes GBP4.7bn DfT grant); GBP7.1bn from TfL and the GLA (which includes GBP1.9bn TfL core contribution and a supplementary business rate levied by the GLA advanced upfront through debt taken by the GLA of GBP4.1bn); and GBP2.2bn from the private sector and Network Rail. If the costs breach a pre-determined level, there is a put option to the DfT and thus TfL's exposure remains capped. To fund part of its contribution, TfL will take on additional debt under prudential borrowing authorisation received and contained within the business plan projections.

For the four years covered by the business plan, total investment of GBP14.4bn is planned, of which GBP7.4bn is for Crossrail.

Overall Performance

For FY10, TfL had a deficit of GBP1,204.6m compared with a surplus of GBP275.7m for FY09. This is due to GBP1,503m of exceptional items in FY09 in respect of Metronet PPP contracts. The release of the finance lease creditor offsets the provision against the loan receivable from Metronet, recognised in FY08. The deficit created resulted in a significant decrease in reserves in FY10.

However, efficiency gains have been introduced particularly since taking over the Metronet projects, which may offset some of the pressures in revenue. Additionally, a bottom-up review of costs has identified significant cost savings that will be implemented so that the reduction in fares from lower volume will be compensated.

Projections: Revised Business Plan

An updated business plan is to be published in April 2011. It takes into account the DfT's revised TfL funding letter following the CSR in October 2010. The updated business plan reverts to a shorter period of four years to FY15 in line with the new government's parliamentary term. Tube upgrades and the Crossrail project remain a major part of the plan, and TfL's long-term commitments are recognised.

The plan projects total revenue to increase to GBP4.6bn by FYE15 from the GBP2.7bn projected in the business plan published in 2009, an increase of 70%. Fitch believes this may be challenging in the current economic climate. Nevertheless, TfL has some flexibility to cut back or delay some capital expenditure if the increase in fares is below the projections. Additionally, the reduction in grant has been offset by numerous factors: growth in revenue and previously identified savings, savings on LU's capital investment programme and surface programme, additional revenue, savings on Crossrail, and further planned efficiencies. For FY11, GBP574m of gross savings have been forecast, of which GBP288m come from LU.

Main Changes with Respect to October 2009 Business Plan

The business plan for FY12-FY15 forecasts total income for the four years to be GBP1.5bn higher than the October 2009 business plan. Following the Tube Lines acquisition, GBP1bn operating costs have been reclassified as capital expenditure. Excluding this reclassification, operating costs have been forecast to be GBP700m lower, driven by increased savings in response to the CSR. Excluding this reclassification, the plan forecasts capex to be GBP800m lower, resulting from reassessment of delivering planned upgrades.

Fitch believes the business plan's credit profile for TfL is still in line with its present rating, although continued government support will be important. However, Fitch will assess the match between actuals and projections to determine the impact of important negative deviations.

Figure 4

Transport for London (Consolidated) Business Plan Forecasts

(GBPm)	FY11f	FY12	FY13	FY14	FY15
Fare income (incl. congestion charge)	**3,531**	**3,753**	**4,065**	**4,339**	**4,635**
Other income (incl. property and interest income)	**305**	**319**	**410**	**444**	**431**
Total income	3,836	4,072	4,475	4,783	5,066
Operating costs (including PPP/PFI)	**-5,513**	**-5,524**	**-5,744**	**-5,847**	**-5,988**
Operating deficit from operations	-1,677	-1,452	-1,269	-1,064	-922
Transport grant and other transfers	3,186	3,254	3,205	2,911	2,432
Operating profit after transport grant	1,509	1,802	1,936	1,847	1,510
Debt service (including amortisation)	-255	-302	-332	-350	-369
Surplus after net interest payment	**1,254**	**1,500**	**1,604**	**1,497**	**1,141**
Capital revenue					
Asset sale and capital contributions					
External funding for Crossrail[a]	1,222	1,390	2,084	2,068	1,693
Capital expenditure					
TfL group	-2,435	-2,019	-1,766	-1,723	-1,574
Crossrail project	-1,052	-1,205	-1,904	-2,247	-2,002
Net capital expenditure	**-2,265**	**-1,834**	**-1,586**	**-1,902**	**-1,883**
TfL borrowing and other financing	753	475	546	357	413
Overall results	-258	141	564	-48	-329
Opening cash	1,509	1,251	1,392	1,956	1,908
Use of cash	-258	141	564	-48	-329
Closing cash balance	1,251	1,392	1,956	1,908	1,579
Year-end debt balance	4,879	5,354	5,900	6,257	6,670

f: Forecast
[a] Includes capital grants from the central government
Source: Fitch

Debt, Liquidity and Contingent Liabilities

TfL had no long-term financial debt until FY04, but this had reached GBP3.1bn by FYE09 and GBP4.1bn by FYE10. The average life of debt is 27 years, with the first contractual debt amortisation scheduled for 2017 (excluding Tube Lines), and all debt is at fixed interest rates. As of January 2011, direct debt (excluding Tube Lines and commercial paper) was GBP4.1bn at an average cost of 4.45%.

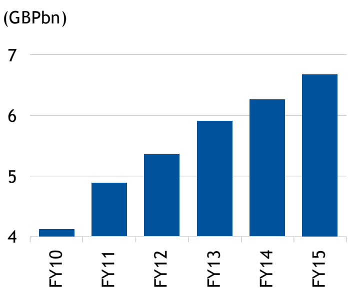
TfL also has significant long-term finance leases as commitments (GBP2.9bn at FYE10), although most of this amount relates to the new assets acquired or updated under PPP contracts.

Overall total risk was GBP7,064.5m at FYE10, higher than the GBP5,948m at FYE09. The debt burden is moderate even before the high cash and liquid investment position is taken into consideration (GBP1.5bn). However, total risk (including pension and lease liabilities) increased to 142% of operating revenue and grants from 27% at FYE05.

TfL has established a prudential borrowing programme adopted for LAs by Parliament. This will be used to raise external funding over the business plan period, of which so far GBP600m has been issued under a GBP5bn Euro medium-term notes programme (extended from GBP3.3bn in July 2010). TfL also expanded its funding sources by establishing a GBP2bn commercial paper programme. In November 2010, TfL raised GBP150m of three-month commercial paper at 0.62%. The commercial paper was rolled over in February 2011 at 0.70%.

Figure 5

Actual and Projected Debt



FY11: Forecast; FY12-FY15: Business plan
Source: TfL

The TfL board approved a cap of GBP1.1bn of additional borrowing for FY10. Of this, the Public Works Loan Board (PWLB) has loaned GBP681m and the European Investment Bank (EIB) a total of GBP416m. This includes GBP150m on a total facility of GBP1bn from the EIB to be drawn in six tranches.

The interest rates on PWLB loans will rise to 100bp above UK gilts (from 20bp) in an attempt to discourage LAs from borrowing. As a result, TfL foresee it will establish new borrowing programmes to avoid the impact of these PWLB loan increases, as it may be more beneficial for it to borrow through capital markets. Additionally, EIB loans will now be a cost-effective source of finance.

- With increasing debt to cover capital expenditure, support from the government will become increasingly important to the rating

TfL projects that debt servicing will not rise to more than GBP400m during the period to FY15 due to the extended nature of the debt amortisations. This is despite the increase in debt under the business plan to GBP6.6bn (excluding Tube Lines debt) by FY15.

Contingent Liabilities Reduced Since Acquisition of Tube Lines

Some of TfL's PFI contracts contain commitments that could result in paying break costs in the event of early termination. As part of London's bid for the 2012 games, TfL provided performance guarantees to the International Olympic Committee, which only apply to projects to be delivered. There are no fixed or implied amounts of capital expenditure.

TfL has given guarantees for some of its subsidiary companies' contracts. These total GBP1.9bn, and amounts payable vary depending on responsibility of underlying contracts, breakage costs and other contractual costs.

Until the end of June 2010, the only PPP contract remaining was a service contract between LUL and Tube Lines for 30 years for the maintenance and upgrade of the Tube's infrastructure. However, these contractual risks and obligations no longer stand since the acquisition.

Pensions

The TfL Pension Fund, a defined-benefit scheme managed by a wholly owned subsidiary of TfL, covers most TfL employees. Every three years the fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the fund's long-term solvency. At FYE10, the fund had a deficit of GBP2.2bn under company accounting FRS17. Using the same basis as the triennial valuation, the fund has a deficit of GBP0.8bn.

An update has been received from the fund's advisers that indicates its funding level improved from 86.9% at end-September 2010 to 93.1% at end-December 2010. This increase in the funding level equates to a reduction of GBP251m in the estimated shortfall, from GBP761m to GBP510m over the same period.

Strong Liquidity Position

Traditional liquidity facilities, such as bank overdrafts, are accessible to TfL and its subsidiaries. Limits collectively total GBP200m, which are mitigated by TfL's strong cash and liquid deposit position of GBP1.5bn at FYE10. TfL board approval also exists for additional short-term debt of GBP50m. Close monitoring of liquidity is carried out and most deposits are placed with the Debt Management Office or government-guaranteed financial institutions.

As part of TfL's acquisition of Tube Lines, TfL has entered into arrangements to restructure Tube Lines' GBP1.75bn debt. Nevertheless, the transfer of Tube Lines' debt to the TfL group will not have any impact on TfL's credit quality, as Fitch has already taken these liabilities into account in assessing TfL's overall risk profile.

TfL has used interest rate derivatives to lock in current low rates for a portion of future borrowing requirements. By January 2011, GBP500m of projected floating-rate borrowings had been hedged. The average fixed rate is 3.69%, with maturities ranging from 2017 to 2023.

Appendix A

Transport for London (Consolidated)

(GBPm)	Actual 31 Mar 2006	Actual 31 Mar 2007	Re-stated 31 Mar 2008	Re-stated 31 Mar 2009	Actual 31 Mar 2010
Income statement					
Revenue	2,737.6	2,965.6	3,278.8	3,451.5	3,594.3
Fares	2,068.0	2,269.4	2,445.8	2,577.5	2,665.9
Others	669.6	696.2	833.0	874.0	928.4
Operating costs	-4,649.2	-4,870.5	-5,739.7	-6,020.0	-6,075.1
Staff costs	-790.0	-880.4	-1,005.5	-1,308.7	-1,304.5
Other net operating expenditure	-3,643.8	-3,754.3	-4,126.6	-4,003.8	-3,969.2
Depreciation	-215.4	-235.8	-607.6	-707.5	-801.4
Operating profit from operations	**-1,911.6**	**-1,904.9**	**-2,460.9**	**-2,568.5**	**-2,480.8**
Transport grant and other transfers	2,010.5	2,036.0	2,411.4	1,306.8	1,367.6
Operating profit after transport grant	**98.9**	**131.1**	**-49.5**	**-1,261.7**	**-1,113.2**
Other non-operating items	-38.7	-71.1	482.5	293.4	384.1
Profit pre-interest	**60.2**	**60.0**	**433.0**	**-968.3**	**-729.1**
Interest receivable	58.2	70.4	114.0	104.6	13.9
Interest expensed	-114.2	-199.4	-289.4	-322.1	-390.7
Other financing income/(expense)	-7.9	23.9	16.6	-41.7	-98.7
Net exceptional items	0.0	0.0	-258.7	1,503.2	0.0
Surplus (deficit)	**-3.7**	**-45.1**	**15.5**	**275.7**	**-1,204.6**
Ratio analysis					
Profitability (%)					
Operating profit after transfers/total revenue including grants	2.08	2.62	-0.87	-26.52	-22.43
Transfers and grants /total revenue including grants	42.34	40.71	42.38	27.46	27.56
Fares/total revenue including grants	43.55	45.37	42.98	54.17	53.73
Surplus (deficit) total revenue including grants	-0.08	-0.90	0.27	5.79	-24.28
Credit ratios					
Total risk (before pension obligations)/total reserves (%)	54.90	87.59	109.33	124.11	269.74
Total risk (before pension obligations)/total assets (%)	15.81	22.16	27.35	27.08	29.61
Total risk (before pension obligations)/total revenue inc. grants (%)	53.50	78.37	92.45	125.01	142.37
Cash and liquid deposits/total assets (%)	10.50	11.47	9.92	9.11	6.33
Cash and liquid deposits/total risk (%)	66.42	51.73	36.27	33.65	21.37
Interest revenue/financial expenses (%)	50.96	35.31	39.39	32.47	3.56
Current assets/current liabilities (%)	117.32	133.13	128.04	120.74	107.70
Funds from operations/net debt (%)	-5.95	-19.03	417.62	19.97	14.40
Net debt/EBITDA (%)	-299.46	-184.79	7.53	-196.50	-839.03
EBITDA/interest	5.61	2.84	3.18	-2.55	-0.83
Gearing (%)	71.54	108.78	121.94	148.05	351.55

Source: Fitch

Appendix B

Transport for London (Consolidated)

(GBPm)	Actual 31 Mar 2006	Actual 31 Mar 2007	Re-stated 31 Mar 2008[a]	Re-stated 31 Mar 2009	Actual 31 Mar 2010
Infrastructure assets	11,274.0	12,485.9	13,273.6	14,526.2	15,848.5
Rolling stock	1,357.7	1,366.6	1,374.5	1,572.2	1,747.4
Other fixed assets	449.3	493.7	497.6	1,053.6	1,215.0
Other non-current assets	990.5	1,003.1	1,572.6	2,304.0	2,818.2
Other financial assets	0.0	0.0	0.0	0.0	0.0
Non-current assets	**14,071.5**	**15,349.3**	**16,718.3**	**19,456.0**	**21,629.1**
Stocks	5.1	4.3	4.2	20.2	18.3
Debtors	301.6	302.7	601.9	488.4	698.6
Other current assets	0.0	0.0	0.0	0.0	0.0
Cash, deposits and liquid investments	1,687.1	2,027.8	1,908.0	2,001.9	1,509.4
Current assets	**1,993.8**	**2,334.8**	**2,514.1**	**2,510.5**	**2,226.3**
Total assets	**16,065.3**	**17,684.1**	**19,232.4**	**21,966.5**	**23,855.4**
Borrowings and lease liabilities	544.7	527.8	556.5	368.7	389.0
Trade creditors	791.2	845.1	882.8	996.0	853.1
Other creditors	363.6	380.9	524.2	714.5	825.0
Accruals and deferred income	0.0	0.0	0.0	0.0	0.0
Current liabilities	**1,699.5**	**1,753.8**	**1,963.5**	**2,079.2**	**2,067.1**
Borrowings and lease liabilities	1,995.5	3,391.8	4,704.1	5,506.3	6,667.8
Other long-term creditors	18.2	22.1	26.1	30.8	31.2
Deferred grants	6,695.1	6,845.1	6,864.2	8,216.2	9,710.5
Pension and other liabilities	769.9	948.2	606.8	1,147.5	2,142.6
Provisions	260.2	248.2	256.1	193.8	617.2
Non-current liabilities	**9,738.9**	**11,455.4**	**12,457.3**	**15,094.6**	**19,169.3**
Net assets	**4,626.9**	**4,474.9**	**4,811.6**	**4,792.7**	**2,619.0**
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	1,891.5	1,900.6	1,869.7	1,654.5	1,560.9
Other reserves	2,735.4	2,574.3	2,941.9	3,138.2	1,058.1
Profit and loss/revenue reserves	0.0	0.0	0.0	0.0	0.0
Total equity/minority interests	**4,626.9**	**4,474.9**	**4,811.6**	**4,792.7**	**2,619.0**
Debt schedule					
Debt source					
Bank	334.4	757.2	1,357.1	2,490.9	3,525.5.0
Non-bank	411.5	592.6	592.9	600.0	600.0
Total financial debt	**745.9**	**1,349.8**	**1,950.0**	**3,090.9**	**4,125.5**
Other Fitch classified debt (finance leases)	1,794.3	2,569.8	3,310.6	2,857.4	2,939.0
Total risk before pension obligations	**2,540.2**	**3,919.6**	**5,260.6**	**5,948.3**	**7,064.5**
Unfunded pension obligations	769.9	948.2	606.8	1,147.5	2,142.6
Total risk	**3,310.1**	**4,867.8**	**5,867.4**	**7,095.8**	**9,207.1**
Debt maturity (including finance leases)					
Less than 1 year	544.7	527.8	556.5	368.7	389.0
1 to 2 years	890.7	1,687.5	2,405.4	390.2	481.9
2 to 5 years	19.2	24.1	29.7	1,282.8	1,268.7
More than 5 years	1,085.6	1,680.2	2,269.0	3,906.6	4,924.9
Total debt	**2,540.2**	**3,919.6**	**5,260.6**	**5,948.3**	**7,064.5**
Cash and deposits	1,687.1	2,027.8	1,908.0	2,001.9	1,509.4
Net debt/(cash)	**853.1**	**1,891.8**	**3,352.6**	**3,946.4**	**5,555.1**
Outstanding risk under guarantees	5,488	5,757	3,107	3,607	3,897[b]

[a] Including Crossrail Limited
[b] Includes Tube Lines guarantees up until June 2010
Source: Fitch