

Transport for London

Full Rating Report

Ratings

Foreign Currency

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

Local Currency

Long-Term Rating	AA+
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Outlooks

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

Financial Data

Transport for London

	31 Mar 11	31 Mar 10 ^a
Operating revenue including grants (GBPm)	7,536.8	6,932.8
Direct debt (GBPm)	6,350.7	4,125.5
Total risk including finance leases (GBPm)	7,769.7	7,481.3
Operating profit/total revenue (including grants; %)	33.0	14.5
Total risk/total revenue including grants (%)	103.1	107.9
Total risk/total assets (%)	29.2	30.8
Cash and liquid deposits/total risk (%)	26.6	20.2

^a Restated

Key Rating Drivers

Strong Government Support: The ratings of Transport for London (TfL) are credit linked to the UK sovereign ('AAA'/Stable/'F1+') under Fitch Ratings' public-sector entity criteria. The link to the sovereign is due to the strong support for TfL from the central government through multi-year funding received, funding letters, oversight of borrowing limits and shared priorities due to the strategic importance of TfL for London and the UK economy as a whole.

Public Funding: About 48% of TfL's total revenue comes directly from the central government through grants from the Department for Transport (DfT). Despite recent cuts to the transport grant, the UK government has part-funded TfL's investment plan and pledged to support its long-term commitments, including the upgrades required for the Olympic Games.

Balanced Financial Performance: Fare revenue accounts for 39% of TfL's total revenues including grants. TfL has a policy of a balanced business plan and through Project Horizon has achieved efficiency savings by a fundamental review of its operating and management structure. TfL also has flexibility to respond to pressures within its business plan by delaying capital expenditure, reducing operating costs or increasing fares if necessary.

Patronage to Increase: In FY10, patronage of the tube was hit by the economic slowdown. However, passenger journeys across all modes of transport increased in the financial year to end-March 2011 (FY11). Recent forecasts suggest patronage will increase in FY12 and in future years with a 2.6% rise forecast over the four years to FY15 for bus patronage and by 12.5% by FY15 for the tube.

Significant Capital Expenditure: Ambitious capital expenditure has led to increased debt. With the acquisition of Tube Lines, one of TfL's public private partnerships, in June 2010, its finance lease obligations have been reclassified as direct debt. Direct debt has been forecast to increase to GBP8.3bn, an increase of GBP1.9bn between FY12 and FY15.

Crossrail on Track: Construction of the new line at sites across the city is under way and many of the big contracts are already let. Investment in Crossrail and the tube is vital to secure future economic growth in the capital. Crossrail will increase London's rail capacity by 10% and enable new and faster journeys. TfL's risk due to cost over-runs has been capped at GBP7.1bn and if the costs breach a pre-determined level, there is a put option to the DfT.

Strong Liquidity: At end January 2012, TfL had GBP2.4bn of cash and liquid assets. A minimum cash balance of GBP250m is maintained and TfL has access to GBP200m of undrawn overdraft facilities. TfL is a statutory corporation and is regulated under the Local Government Act 2003 and Local Government Finance Act for capital finance purposes. It can borrow from the Public Works Loan Board (PWLb), which mitigates liquidity/refinancing risk.

What Could Trigger a Rating Action

Weaker Government Support: A negative rating action could occur due to weakening support from central government or a substantial decrease in revenue not matched by tangible support. A significant increase in debt servicing to revenue ratio could also lead to a downgrade.

Debt Reduction: A positive rating action could arise from closer or more direct links with the central government or a stronger commitment from the latter. Additionally, a significant reduction in debt could lead to a positive action although this is unlikely due to TfL's large investment programme.

Analysts

Ines Callahan
+34 93 467 8745
ines.callahan@fitchratings.com

Fernando Mayorga
+34 93 323 84 00
fernando.mayorga@fitchratings.com

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
10 March 11	AA+	AA+
17 March 04	AA	AA

TfLs ratings are credit linked to the UK Sovereign under Fitch Ratings' public-sector entity criteria

Profile

TfL is a statutory corporation and is regulated under the Local Government Act 2003 and Local Government Finance Act for capital finance purposes. TfL reports to the mayor of London and is a functional body of the GLA. When TfL was created in 2000 it took over all responsibilities for London buses and other transport functions from the central government. TfL is also responsible for the Docklands Light Railway (DLR), river services and taxis, cycling, and roads and bridges. London Underground Limited (LUL) was passed to TfL in 2003. Since autumn 2007 it has also taken on some overground rail services. The London Overground includes the East London Line and the North London Railway.

Legal and Accounting Framework

Links Between the GLA, Central Government and TfL

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

These responsibilities are undertaken by four separate functional bodies including TfL, the Metropolitan Police Authority, the London Fire Emergency Planning Authority and the London Development Agency. The aggregate budget (excluding debt raising) for the GLA and its functional bodies is GBP13.3bn for FY12 (GBP14bn for FY11). TfL represents 63% of this and the Metropolitan Police another 26%. Only a minor part of the GLA's budget is for itself, as it is funded through grants and a council tax precept.

TfL funding is a combination of grants from central government (both block and tied grants) and own revenue such as fares. The block grants are channelled by the GLA but these cannot be intercepted or used for anything other than that intended, and grants cannot be used to fund shortfalls in one functional body through surpluses in another. In case of necessity however, it would be the central government who would bail out TfL as the GLA would not have the funding or resources to do so.

Central Government Grants Key to the Rating

Grants directly through the DfT from the central government account for 48% of TfL's revenue. The four-year spending review process regulates government funding. Although the transport grant has been cut, TfL's investment plan has been part funded by the government, which offsets some of the decrease in the general grant. The government has also pledged to support TfL's long-term commitments.

GLA's transport grant over the three years 2012/13-2014/15 totals GBP8bn, which includes an additional GBP136m agreed by the DfT in November 2011 as a result of having lowered the increase in fares for 2012 to RPI plus 1% (from the forecast RPI plus 2%). The grant includes a GBP5.4bn general grant and the London investment grant of GBP2.7bn, supporting the delivery of TfL and government shared priorities.

The upgrade of London's transport network has been supported by the central government ahead of the 2012 Olympic Games; GBP6bn of TfL's investment programme will directly support the games of which GBP5.5bn was already planned before the bid.

Ahead of the London 2012 Olympics, all infrastructure projects were completed on time and to budget. TfL's focus now remains on ensuring London moves smoothly and safely when an estimated three million additional journeys will be added to the average 25 million daily journeys on London's transport network, of which TfL provides over eight million. 109 miles of Olympic route network will be in operation from a few days before the opening ceremony to ensure athletes and officials get to the games on time. Bus services will be increased in certain areas and tube services will be available later at night.

Related Criteria

[Tax Supported Rating Criteria \(August 2011\)](#)

[Ratings of Public Sector Rating Entities - Outside the United States \(March 2012\)](#)

TfL's Strategic Policy Set by the Mayor

In May 2008, Boris Johnson of the Conservative party became the mayor of London. His initial aim was to maintain the modernisation of the tube infrastructure but with more emphasis on security as well as a commitment to the Crossrail project. On 3 May 2012, London will hold its mayoral election. If there is a change to the mayor voted in, this may affect the business plan going forward.

Strategic Importance of the Economic Development of London

The population of Greater London is about 7.8 million, 13% of the UK's population. The business plan includes investment to support projected population growth of 1.25 million by 2031 and a potential growth in the workforce of 0.75 million over the same period. This means there will be a potential increase of around three million trips a day in London by 2031. London provides 21.5% of national GVA and plays a central role in the economy. Urban transport is thus key to the economic development of the metropolis in terms of a mobile workforce, efficient communications and quality of life for residents.

Over FY12 the most important developments included:

- In May 2011 the GBP325m DLR three-car upgrade was completed on time and within budget;
- In July 2011 the Jubilee Line upgrade was completed;
- On 31 August 2011 the DLR extension to Stratford International opened.

Finance and Performance

Accounting Regime Primarily Based on Local Authority Framework

TfL is required to deliver a balanced budget due to being treated as a local authority (LA) for accounting purposes. TfL's subsidiaries are consolidated into the statement of accounts, which are audited by KPMG. For FY11, TfL has followed the code of practice on local authority accounting, which for 2010/11 is based on International Financial Reporting Standards adopted by the EU. The most significant changes refer to capital grants and contributions being recognised immediately in the income and expenditure statement once there is reasonable assurance that all conditions relating to those grants have been met. Previously only revenue grants would be included in the income statement and capital grants would be taken to the Balance Sheet as deferred grant.

A prudential scheme for LAs, including the GLA and its functional bodies, has been in place since 2004. This allows TfL to borrow without prior approval from DfT up to agreed limits. This is outlined in the business plan and TfL's additional borrowing must be contained within the following profile: FY12: GBP425m; FY13: GBP445m; FY14: GBP345m; FY15: GBP650m. Other sources of financing include the private finance initiatives (PFI), MTN programme, CP programme and PWLB funding.

Revenue

Fares Critical but Offer Little Flexibility

TfL has a complex fare structure, and is more market-oriented than other public transportation entities with off-peak prices and family discounts. The mayor of London, who has sole responsibility for fares, increased them to help fund the capex programme. The mayor is committed to increasing fares in line with the Retail Price Index (RPI) plus a percentage increase. In January 2011 fares increased RPI plus 2% and in January 2012 by RPI plus 1%. The business plan for FY12-FY15 includes an increase of RPI plus 2% across the modes of transport. The fares for National Rail were increased at RPI plus 3%, in line with the national strategy, so TfL's fares can be considered in line with these.

Patronage for the tube and buses have increased year on year. The exception to this was FY10, when the economic downturn led to reduced patronage. Patronage for FY11 as well as

Passenger journeys across all modes of transport increased in the financial year to end-March 2011 (FY11). Recent forecasts suggest patronage will increase in FY12 and in future years

forecast patronage in the business plan is expected to exceed expectations and be resilient to the wider economic downturn. Additionally, due to the greater demand from the rising population in the urban area, the long-term trend of patronage is positive. The congestion charge has also increased usage of public transport.

London Underground

In FY11, the tube represented 50% of fare income, and passenger journeys increased to their highest annual level ever at 1,107million. The record number of daily passenger journeys at 4.17million was set on 9 December 2011.

In June 2010, Tube Lines was acquired by TfL with 100% of the shares acquired for GBP220.2m. Tube Lines were one of TfL's public private partnerships (PPP). The group also acquired GBP90m of shareholder loan notes. This led to TfL having greater control over how the tube upgrade works are carried out. The structure of Tube Lines is still being reviewed, and TfL is reviewing the tube upgrade programme to identify cost savings and minimise passenger disruption. Work to increase capacity and relieve congestion at key tube stations continues.

Other work includes a new signalling system on the Jubilee line, leading to quicker journeys and more frequent services. Track and platform works and train testing have also taken place to enable new walk-through, air-conditioned trains to run. The upgrade on the signalling on the Jubilee line was delivered through Tube Lines, which was allowed frequent closures during the week. At present testing is done offsite, which minimises disruption significantly.

Surface Transport

This covers buses, cycling, congestion charging, roads, bridges and tunnels, traffic signalling and walking. Surface transport accounts for 43% of total fare revenue and patronage has risen to 2,289 million journeys for FY11. Bus use in London has risen due to a combination of measures supporting public transport and increased investment. It is now at its highest in 50 years and passenger journeys account for nearly half of all UK bus journeys.

Some operations are outsourced, including bus services, which are privately operated on five-year contracts. Six companies control 90% of bus routes.

In February 2012, TfL introduced a new bus to replace London's old iconic Routemaster bus, which was withdrawn from service in 2005. This new bus meets TfL's targets for low carbon emissions, which it has achieved through engineering and low weight construction for fuel efficiency. The engine was designed to be on the road for 22 hours a day, travelling at 6mph and stopping and starting every 100m.

Figure 1
Revenue by mode and Patronage

	FY12 forecast ^c		FY11		FY10		FY09					
	Revenue ^a (%)	Patronage ^b	Revenue ^a (%)	Patronage ^b	Revenue ^a (%)	Patronage ^b	Revenue ^a (%)	Patronage ^b				
London Underground	2,121	52	1,138	1,941	50	1,107	1,796	50	1,065	1,769	51	1,089
Buses	1,344	33	2,339	1,257	32	2,289	1,166	32	2,257	1,102	32	2,247
Surface (incl. Congestion charging)	360	9		430	11		366	10		399	12	
London Rail, including:	219	5		196	5					120	3	
Docklands Light Railway			84			78	142	4	69			66
London Overground*			104									
London Tramlink (incl tube lines)			29			28			27			27
Other (corporate items)	56	1		54	1		125	3		62	2	
Total	4,100		3,694	3,878		3,502	3,595		3,418	3,452		3,429

Notes: Revenue includes fare revenue as well as advertising, rent etc. There are no fare revenue numbers that can be compared across the board.

^a (GBPm)

^b Passenger journeys (m)

^c Q2 operational and finance report

Source: TfL

There were 1,008 traffic signal timing reviews on TfL's road network during the year, which contributed to a 7.9% reduction in stop-start traffic delays. Additionally, almost 1,315 days of disruption were prevented due to better co-ordination of utility works following the introduction in 2010 of the London permit scheme for road and street works.

Rail

Rail includes both the London Overground and the DLR. The number of DLR passenger journeys increased to 78 million in FY11 from 69 million in FY10 mainly due to the introduction of three-car trains in November 2010, increasing capacity by 50%. The major capacity upgrade was completed in May 2011 delivering 55 new carriages and longer platforms and the extension to Stratford International was completed in August 2011. Patronage is likely to continue increasing due to TfL's role as vital transport for the Olympics and the opening of Crossrail.

The London overground has 102 million passenger journeys forecast for 2011/12. The East London line was completed ahead of schedule and the works on the New South London line are under way and will be completed in 2012 providing an orbital network around the capital. The use of Oyster pay-as-you-go stabilised on TfL services at 38% of all journeys on the underground and 20% on buses. The use of Oyster on London's commuter rail services rose from 600,000 per week in January 2010 to more than two million journeys a week in February 2011.

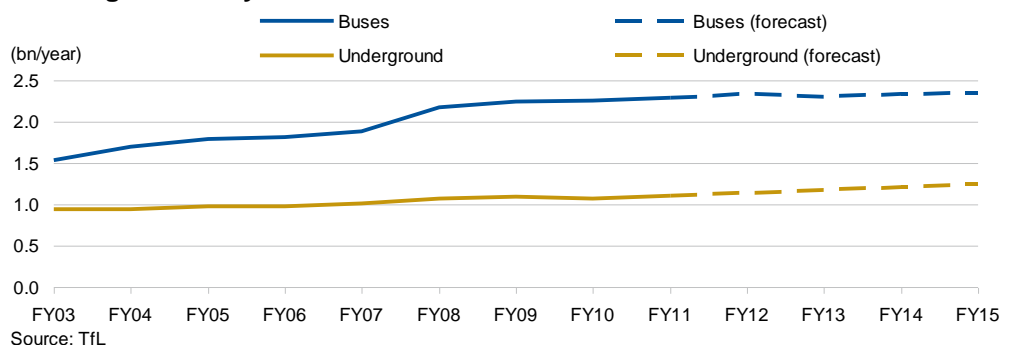
Preparation for a new ticketing payment system is underway. This will enable customers to use debit or credit cards on Oysters' yellow readers. This scheme will be launched on buses from spring 2012.

Congestion Charging: A Qualified Strategic Success

In 2003, the first congestion charge was launched, operated by a private contractor and aimed at reducing cars entering the most congested central areas. Its primary objective in restricting car traffic and increasing bus patronage has been extremely successful. Its secondary objective of revenue generation has been less so. Recent changes were the introduction of an automated charge system in January 2011 and a rise in the daily charge at end-2010 to GBP9 or GBP10 for non-account holders.

Figure 2

Passenger Journeys



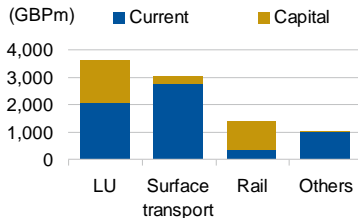
Expenditure

Service Expenditure and Staff Costs the Main Components of Operating Expenditure

The TfL group is one of the largest employers in London with average full-time equivalents of 26,653 in FY11 up from 25,126 in FY10. Personnel accounts for 24% of operating costs (including depreciation). Historically, operating costs for PPPs and PFIs have also been a significant part of TfL's expenditure. Nevertheless, since August 2010, TfL no longer has any PPPs.

Figure 3

Breakdown of Expenditure FY11



Source: TfL

TfL has PFI contracts whereby TfL controls the use of infrastructure and the residual interest at the end of the arrangement. These arrangements are treated as service concession arrangements (SCA). The following are TfL's major PFIs:

- **Connect:** this is for the provision of network wide, integrated radio and transmission communication services to London Underground Limited (LUL).
- **Power:** this is for the maintenance, management and procurement of the electricity supply services for the London Underground.
- **British Transport Police (London Underground):** this is to provide improved operational infrastructure to support efficient policing of the Jubilee line extension and the delivery of long-term policing strategy for LUL.
- **A13 Thames Gateway:** this is for the design and construction of improvements to the A13.
- **Docklands Light Railway contracts for Greenwich:** this is for the design, construction and maintenance of the extension.

On 23 November 2011, TfL acquired 100% of the PFI contracts for City airport and Woolwich Arsenal extensions. This was mainly through the identification of significant savings that could be achieved through acquisition and refinancing their debt.

Capital Expenditure Includes Tube Infrastructure and Crossrail

TfL's capital expenditure plan includes increasing capacity by end-2020 on the tube by 30% and rail by 10%. In FY11, 53% of capital expenditure was on the tube.

TfL's largest single capital expenditure project is Crossrail. This is also Europe's largest infrastructure rail project and will, with the full tube upgrades, provide a GBP78bn boost to the UK economy. It is expected to dramatically improve capacity and rail links in the south east of England. When complete it will be 118km of rail linking Heathrow in west London and Maidenhead in Berkshire with Shenfield in Essex and Abbey Wood in south-east London. Part of the link will use Networks Rail's existing infrastructure. Construction and upgrading is projected to be completed by December 2018.

The estimated cost of construction is GBP14.7bn. The cost will be covered by a mixture of government grant funding, the private sector and Network Rail. TfL's exposure remains capped at GBP7.1bn and if the costs breach a pre-determined level, there is a put option to the DfT. This is in a context of GBP9bn committed budget, GBP5.1bn from the DfT and GBP4.1bn from the GLA. TfL has taken on additional debt under authorisation of prudential borrowing in order to fund part of its contribution.

In April 2011, TfL received authorisation to continue the Crossrail project to completion within the agreed timescale, cost forecast and scope. The trigger events are now in place. The key main stations' works contracts awarded in 2011 included Whitechapel, Farringdon and Paddington with Bond Street, Tottenham Court Road and Liverpool Street to be awarded in 2012.

Overall Performance

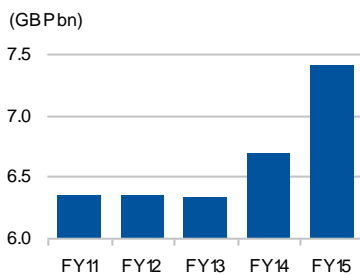
TfL reported a surplus of GBP2,417.2m in FY11 compared with a restated deficit of GBP755.6m in FY10. The main reason behind this difference was an increase of GBP848m in ring-fenced grant to fund capital expenditure relating to Crossrail. Additionally, in FY11 TfL booked a GBP647m actuarial gain on defined benefit schemes compared to a loss of GBP1,002m in FY10.

TfL's operating income for FY12 is forecast to be GBP33m higher than budget due to record demand on London Underground and higher passenger numbers on the London Overground and the DLR. TfL forecast lower operating expenditure due to timing differences including early achievement of one-off efficiency savings and re-phasing non-capital project expenditure. Capex is forecast to be lower than budget due to project re-profiling such as the upgrade of the Northern line, track works, major power works and the future ticketing project.

Construction for Crossrail at sites across the city is under way. Investment in Crossrail and the tube is vital to secure future economic growth in the capital

On a gross basis, over GBP976m of savings are forecast for the full year, GBP138m more than target. Of these, 51% have been secured already, GBP528m came from LU's capital programme through improved contract arrangements, simplified technical standards and process improvements. Through Project Horizon a saving of 20% of support staff costs have been made. This new streamlined structure went live in January 2012.

Figure 4
Actual and Projected Debt



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

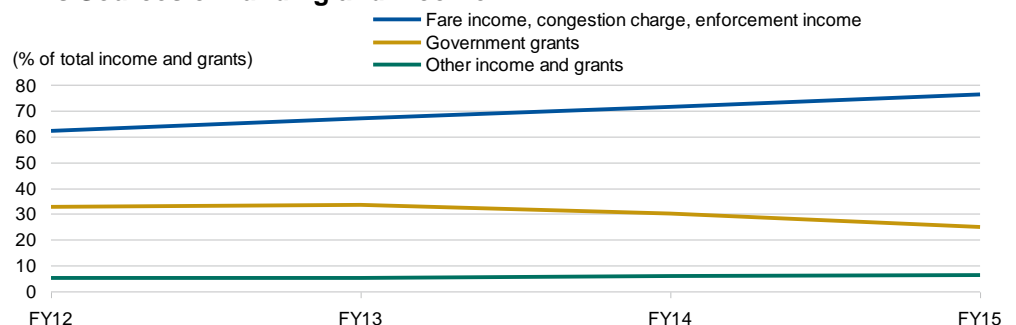
Projections: Revised Business Plan (BP)

The updated business plan for 2011/12-2014/15 was published in April 2011 and is split into an operating and capital plan. This plan reverts to a shorter period of four years in line with the new government's parliamentary term. Financing it is to come from: government grants; TfL prudential borrowing; fares income; congestion charge income; secondary income such as advertising; third-party funding for specific projects; sales of property and other assets. Total revenue is projected to increase to GBP4.6bn by FYE15. This may be challenging in the current economic climate. Nevertheless, TfL has flexibility to delay some capex if the increase in fare income is lower than projected.

A minor update to the business plan was made in December 2011, in connection with the budget submission to the GLA. These changes reflect TfL's latest financial forecast and highlights progress towards milestones. The key changes include the effect of higher inflation, lower capital expenditure and funding costs and the expected reduction in fare income in 2012. This is due to the reduction of fare increases to RPI plus 1% from the forecast RPI plus 2% although is compensated with additional grant.

TfL has also identified savings across the board that will help reduce expenditure and through Project Horizon has commenced a fundamental review of its operating and management structure. The project went live in January 2012 and has introduced more effective ways of working. There has been less of a focus on the business unit and more on TfL as a whole including collaboration across the board. The most significant changes made were to support services, which are now led from one place along with finance leadership teams. The three main areas are rail and underground, surface transport and corporate.

Figure 5
TfLs Sources of Funding and Income



Source: TfL operating plan

Ambitious capital expenditure has led to increased debt. With the acquisition of Tube Lines in June 2010, finance lease obligations under Tube Lines have now been reclassified as direct debt

Debt, Liquidity and Contingent Liabilities

TfL's direct debt totalled GBP6,350m at end-FY11, a significant rise from GBP4,126m in FY10. Of this GBP2,224m increase, GBP1,592m is due to debt acquired from Tube Lines. The weighted average maturity is 14 years. The acquisition of Tube Lines debt was funded with TfL commercial paper and cash and TfL will borrow to replace the finance lease creditor paid down. Additionally, during the year GBP433m of commercial paper was issued. This includes borrowings with different maturities ranging between two to four months with a weighted average interest rate of 0.71%. GBP200m was borrowed from the European Investment Bank (EIB) for Crossrail. This is the second instalment of a GBP1bn facility drawn down over six years. Repayment of the loan is over 2021-2058 and the loan has an average fixed interest rate of 4.9%.

TfL will use its prudential borrowing programme to raise external funding over the business plan period. So far under a GBP5bn MT notes programme, GBP600m has been issued. In November 2010, TfL also raised GBP150m of three-month commercial paper at 0.62% to expand its funding. TfL is also exploring the option of securing new sources of funding such as in foreign currencies.

Contingent Liabilities Reduced Since Acquisition of Tube Lines

Some of TfL's PFI contracts contain commitments that in the event of early termination could result in paying breakage costs. As part of London's bid for the 2012 games, TfL provided performance guarantees to the International Olympic Committee, which apply to projects to be delivered.

Some of TfL's subsidiary companies have been given guarantee contracts. These total GBP1.9bn and amounts payable vary depending on responsibility of underlying contracts, breakage costs and other contractual costs. At end-January 2012, the GBP382m guarantees for the City airport and Woolwich rail extension are no longer in place following the November 2011 acquisitions.

TfL uses interest rate derivatives for a portion of future borrowing requirements. Section 49 of the TfL Act of 2008 allows TfL to enter into derivatives to mitigate risk. In 2011/12 Transport for London Finance Limited (TfLFL) began the year with GBP500m of interest rate swaps to lock in rates. TfLFL entered into other derivative transactions during 2011/12 including gilt locks to secure the cost of planned bond issuances to refinance the purchase of Tube Lines notes. Additionally, GBP225m of forward starting interest rate swaps were set up to fix the interest payable on TfL's prospective borrowing to 2014/15.

Pensions

TfL has a defined-benefit scheme managed by one of its wholly-owned subsidiaries and covers most of TfL's employees. An actuary makes valuations and recommends the level of contributions to be made by the participating employees to ensure its long-term solvency. In March 2009 a triennial valuation assumed a GBP1.33bn deficit. Under a 10-year recovery plan the pension fund is on course to be fully funded by 2020.

Strong Liquidity Position

TfL still has access to traditional liquidity facilities. The total collective limits are GBP200m, which are mitigated by TfL's strong cash and liquid deposits of GBP2.1bn at FYE11. At the end of January 2012, TfL had GBP2.4bn in cash and liquid assets, including GBP1.4bn ring-fenced for Crossrail. During 2011, TfL expanded its number of approved investments to diversify and mitigate risk. Liquidity is closely monitored and most deposits are placed with the Debt Management Office or government-guaranteed institutions.

TfL's conservative investment strategy has led to large amounts being invested in UK Treasury bills, UK gilts and UK government guaranteed, as well as 'AAA' money market funds, 'AAA' supranationals and UK clearing banks. To be able to invest in longer maturity investments for higher returns going forward, TfL will differentiate between operating and earmarked reserves. TfL also has ready access to GBP200m of undrawn overdraft facilities and PWLB funding.

TfL has a strong liquidity position and liquidity is closely monitored

Appendix A

Figure 6
Transport for London (Consolidated)

(GBPm)	31 Mar 07	31 Mar 08	31 Mar 09	31 Mar 10		31 Mar 11
				Actual	Restated in 2011 accounts	
Income statement						
Revenues	2,965.6	3,278.8	3,451.5	3,594.3	3,595.0	3,884.2
Fares	2,269.4	2,445.8	2,577.5	2,665.9	2,662.8	2,942.3
Others	696.2	833.0	874.0	928.4	932.2	941.9
Operating costs	-4,870.5	-5,739.7	-6,020.0	-6,075.1	-6,108.0	-6,066.6
Staff costs	-880.4	-1,005.5	-1,308.7	-1,304.5	-1,298.0	-1,455.6
Other net operating expenditure	-3,754.3	-4,126.6	-4,003.8	-3,969.2	-3,996.2	-3,761.3
Depreciation	-235.8	-607.6	-707.5	-801.4	-813.8	-849.7
Operating profit from operations	-1,904.9	-2,460.9	-2,568.5	-2,480.8	-2,513.0	-2,182.4
Transport grant and other transfers	2,036.0	2,411.4	1,306.8	1,367.6	3,337.8	3,652.6
Crossrail ring fenced Grant	0.0	0.0	0.0	0.0	172.0	1,020.0
Operating profit after transport grant	131.1	-49.5	-1,261.7	-1,113.2	996.8	2,490.2
Other non-operating items	-47.5	512.0	379.2	398.6	-999.5	652.5
Profit pre-interest	83.6	462.5	-882.5	-714.6	-2.7	3,142.7
Interest receivable	70.4	114.0	104.6	13.9	13.9	9.4
Interest expensed	-199.4	-289.4	-322.1	-390.7	-410.9	-395.5
Other financing income/(expense)	23.9	16.6	-41.7	-98.7	-78.7	-18.9
Exceptional items	0.0	-258.7	1,503.2	0.0	0.0	0.0
Loss on disposal of assets	-23.6	-29.5	-85.8	-14.5	-105.2	-321.8
Taxation income	0.0	0.0	0.0	0.0	0.0	1.3
Surplus (deficit)	-45.1	15.5	275.7	-1,204.6	-583.6	2,417.2
Ratio analysis						
Profitability (%)						
Operating profit after transfers/total revenues including grants*	2.62	-0.87	-26.52	-22.43	14.38	33.04
Transfers and grants* /total revenues including grants*	40.71	42.38	27.46	27.56	48.15	48.46
Fares/total revenues including grants*	45.37	42.98	54.17	53.73	38.41	39.04
Surplus (deficit) total revenues including grants*	-0.90	0.27	5.79	-24.28	-8.42	32.07
Credit ratios						
Total risk (before pension obligations)/total reserves (%)	87.59	109.33	124.11	269.74	60.86	52.82
Total risk (before pension obligations)/total assets (%)	22.16	27.35	27.08	29.61	30.81	29.24
Total risk (before pension obligations)/total revenues inc. grants* (%)	78.37	92.45	125.01	142.37	107.91	103.09
Cash & liquid deposits/total assets (%)	11.47	9.92	9.11	6.33	6.22	7.78
Cash & liquid deposits/total risk (%)	51.73	36.27	33.65	21.37	20.18	26.60
Interest revenue/financial expenses (%)	35.31	39.39	32.47	3.56	3.38	2.38
Current assets/current liabilities (%)	133.13	128.04	120.74	107.70	88.47	97.95
Funds from operations/net debt (%)	-19.03	417.62	19.97	14.40	15.18	9.01
Net debt/EBITDA (%)	-184.79	7.53	-196.50	-839.03	159.65	184.66
EBITDA/interest	2.84	3.18	-2.55	-0.83	4.13	6.01
Gearing (%)	108.78	121.94	148.05	351.55	78.71	63.84

* (excludes Crossrail ring fenced grant)

Note: For the FY11 accounts, TfL has adopted International Financial Reporting Standards (IFRS) and this has resulted in a re-statement of the FY10 and FY09 accounts.

Under standard accounting practice, previous years are not re-stated, so FY07 and FY08 are not compliant

Source: Fitch

Appendix B

Figure 7
Transport for London (Consolidated)

Balance sheet (GBPm)	Actual 31 Mar 07	Re-stated 31 Mar 08 ^a	Restated in 2011 accounts		Actual 31 Mar 11
			31 Mar 09	31 Mar 10	
Infrastructure assets	12,485.9	13,273.6	13,373.9	14,158.5	16,107.7
Rolling stock	1,366.6	1,374.5	1,414.0	1,378.7	1,688.3
Other fixed assets	493.7	497.6	4,797.4	6,114.5	5,608.7
Other non-current assets	1,003.1	1,572.6	410.9	496.3	440.8
Other financial assets	0.0	0.0	0.0	0.0	4.9
Non-current assets	15,349.3	16,718.3	19,996.2	22,148.0	23,850.4
Stocks	4.3	4.2	20.2	18.3	35.6
Debtors	302.7	601.9	475.5	607.1	600.4
Other current assets	0.0	0.0	0.0	0.0	14.5
Cash, deposits & liquid investments	2,027.8	1,908.0	2,001.9	1,509.4	2,066.8
Current assets	2,334.8	2,514.1	2,497.6	2,134.8	2,717.3
Total assets	17,684.1	19,232.4	22,493.8	24,282.8	26,567.7
Borrowings & lease liabilities	527.8	556.5	356.4	398.0	563.4
Trade creditors	845.1	882.8	1,788.9	1,720.0	1,956.8
Other creditors	380.9	524.2	46.3	294.9	254.1
Accruals & deferred income	0.0	0.0	0.0	0.0	0.0
Current liabilities	1,753.8	1,963.5	2,191.6	2,412.9	2,774.3
Borrowings & lease liabilities	3,391.8	4,704.1	5,923.1	7,075.6	7,242.3
Other long term creditors	22.1	26.1	37.0	38.1	56.1
Deferred grants	6,845.1	6,864.2	0.0	0.0	0.0
Pension and other liabilities	948.2	606.8	1,187.5	2,193.7	1,620.1
Provisions	248.2	256.1	107.0	270.5	165.7
Non-current liabilities	11,455.4	12,457.3	7,254.6	9,577.9	9,084.2
Net assets	4,474.9	4,811.6	13,047.6	12,292.0	14,709.2
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	1,900.6	1,869.7	0.0	0.0	0.0
Other reserves	2,574.3	2,941.9	13,047.6	12,292.0	14,709.2
Profit & loss/revenue reserves	0.0	0.0	0.0	0.0	0.0
Total equity/minority interests	4,474.9	4,811.6	13,047.6	12,292.0	14,709.2
Debt schedule					
A. Debt structure					
Debt source					
Bank	757.2	1,357.1	3,017.6	3,525.5	5,750.7
Non-bank	592.6	592.9	600.0	600.0	600.0
Total financial debt	1,349.8	1,950.0	3,617.6	4,125.5	6,350.7
Other Fitch classified debt (finance leases)	2,569.8	3,310.6	3,261.9	3,355.8	1,419.0
Total risk before pension obligations	3,919.6	5,260.6	6,879.5	7,481.3	7,769.7
Unfunded pension obligations	948.2	606.8	1,187.5	2,193.7	1,620.1
Total risk	4,867.8	5,867.4	8,067.0	9,675.0	9,389.8
Debt maturity (including finance leases)					
Less than 1 Year	527.8	556.5		398.0	564.1
1 To 2 Years	1,687.5	2,405.4		1,843.1	750.1
More than 5 Years	1,704.3	2,298.7		5,240.2	6,455.5
Total debt	3,919.6	5,260.6	6,879.5	7,481.3	7,769.7
Cash & deposits	2,027.8	1,908.0	2,001.9	1,509.4	2,066.8
Net debt/(Cash)	1,891.8	3,352.6	4,877.6	5,971.9	5,702.9
Outstanding risk under Guarantees: guarantees in respect of its subsidiary companies' contracts	5,757	3,107	3,107	3,897	1,897

Note: For the 2010-11 accounts, TfL has adopted International Financial Reporting Standards (IFRS) and as a result in a re-statement of the 2009-10 and 2008-09 accounts

^a Including Crossrail Limited
Source: Fitch

Appendix C

Figure 8
TfL Funding, Income, Operating and Capital Expenditure Plan

TfL operating plan (GBPm)	2011/12 Forecast	2012/13	2013/14	2014/15	2011/12 - 2014/15 Total
Fares income	3,511	3,762	4,057	4,363	15,693
Congestion charge, LEZ, and enforcement income	294	284	301	295	1,174
Other operating income	290	329	360	398	1,377
Interest income	5	7	11	15	38
Total income	4,100	4,382	4,729	5,071	18,282
Operating costs (incl. third-party contributions)	-5,563	-5,893	-6,008	-6,118	-23,582
Debt service	-487	-312	-340	-365	-1,504
Group items	-38	-42	22	41	-17
Total operating expenditure	-6,088	-6,247	-6,326	-6,442	-25,103
Net operating expenditure	-1,988	-1,865	-1,597	-1,371	-6,821
General grant	1,943	1,948	1,840	1,541	7,272
Overground grant	26	26	28	28	108
GLA precept	6	6	6	6	24
Other revenue grant	12	105	0	0	117
Total revenue grants	1,987	2,085	1,874	1,575	7,521
Surplus/(deficit) to fund capital plan	-1	220	277	204	700
Capital expenditure	-1,850	-1,890	-1,889	-1,772	-7,401
Third party contributions - capital	86	46	31	15	178
Net capital expenditure	-1,764	-1,844	-1,858	-1,757	-7,223
Crossrail sponsors' funding commitment	-1,180	-1,904	-2,247	-2,002	-7,333
Crossrail funding sources	1,560	2,058	2,067	1,693	7,378
Net crossrail contribution	380	154	-180	-309	45
Net capital expenditure (incl. crossrail contribution)	-1,384	-1,690	-2,038	-2,066	-7,178
Financed by					
Operating surplus/(deficit) from above	-2	223	277	204	702
Investment grant	861	881	904	928	3,574
Metronet grant	424	352	184	0	960
Other capital grants	53	24	0	0	77
Sales of property and other assets	56	113	133	71	373
Working capital released/(created)	-102	-80	-7	-56	-245
Net borrowing, other financing and reserve movements ^a	93	177	547	919	1,736
Total	1,383	1,690	2,038	2,066	7,177

^a Excluding Crossrail Sponsor Funding Account
Source: TfL Business Plan Update

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