

Transport for London

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR AA-
Short-Term IDR F1+

Local Currency

Long-Term IDR AA-

Outlooks

Long-Term Foreign-Currency IDR RWN
Long-Term Local-Currency IDR RWN

Financial Data

Transport for London

	31 Mar 18	31 Mar 17
Total operating revenues (GBPm)	5,382.4	5,399.2
Rev. from pub. sector (GBPm)	2,126.2	1,354.3
Operating balance (GBPm)	-2.9	-480.4
Total debt (GBPm)	10,903.7	10,360.1
Total assets (GBPm)	42,959.1	41,834.2
Reserves (GBPm)	24,461.9	23,586.8
Fitch calculated	14.8	8.9
EBITDA margin (%)		

Key Rating Drivers

Strong Government Support: Transport for London (TfL) is classified as a credit-linked entity and its Long-Term IDRs are notched down once from the UK sovereign's (AA/RWN/F1+), under Fitch Ratings' *Government-Related Entities (GREs) Rating Criteria*. Under the application of the four key rating factors covering the strength of linkage and the incentive to support (see paragraphs below), Fitch believes that extraordinary support from the UK government would be forthcoming if needed.

Status, Ownership and Control: This factor is assessed as Strong. TfL is a statutory corporation subject to local government finance rules; as such, it must produce a balanced budget each year. TfL is a functional body of the Greater London Authority (GLA); it reports to the mayor of London, who is chair of the board. The mayor appoints board members and develops and publishes a transport strategy reflecting transport priorities in London. Since 2004, a prudential scheme for local authorities has been in place, allowing TfL to borrow up to authorised limits.

Support Track Record and Expectations: This factor is assessed as Strong. The UK government has expressed its support for TfL's long-term commitments in the latest funding settlement. This has included funding for the Elizabeth line as well as for the modernisation of tube services and stations and the transformation of the road network. Since April 2017, the investment grant has been replaced by an equivalent amount of almost GBP1 billion in business rates transferred to TfL by the GLA under a scheme for further business rates devolution.

To date, about one-third of TfL's total revenue has come from grants. Some of this is paid directly to TfL from the Department for Transport (DfT), some is transferred from the DfT via the GLA, and some is through business rates collected and distributed by the GLA. The financing package agreed for Crossrail between the DfT, the GLA and TfL in December 2018 to deliver the final stages of the project and open the Elizabeth Line as quickly as possible is evidence of further support from the UK government.

Socio-Political Implications of Default: This factor is assessed as Strong. TfL is strategically important for London and the UK economy. About four billion journeys are undertaken on TfL's services each year. TfL would be difficult to substitute in the short to medium term, with the transition process likely to lead to severe service disruption. Financial default would not necessarily materially affect the provision of service or hamper TfL's investment programme, but the political repercussions would be significant.

Financial Implications of Default: This factor is assessed as Very Strong. If TfL were to default, it would impair the availability and cost of borrowing for other GREs in the UK. The shock waves from such an event would result in a fundamental rethink of exposure to the public sector and would inevitably lead to a restriction on future lending. We believe the capital markets (30% of TfL borrowing) and the EIB (30% of borrowing) would restrict funding.

Rating Sensitivities

Sovereign Rating and Linkage/Support: A rating change could result from a change in the UK sovereign rating or a change in the assessment of the strength of linkage or incentive to support factors assessed under the *GREs Rating Criteria*. A sustained weakening in the Financial Profile of TfL's standalone assessment under the *Public Sector, Revenue-Supported Entities Rating Criteria* could also lead to a rating change.

Related Research

[United Kingdom \(November 2018\)](#)

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Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
25 Feb 19	AA-/RWN	AA-/RWN
01 Jul 16	AA-/Neg	AA-/Neg
24 Apr 13	AA/Stable	AA/Stable
27 Mar 13	AA+/RWN	AA+/RWN
16 Mar 12	AA+/Neg	AA+/Neg
10 Mar 11	AA+/Stable	AA+/Stable
17 Mar 04	AA/Stable	AA/Stable

Profile and Overview

TfL is a statutory body established under the Greater London Authority Act 1999. Its main activity is the provision of integrated transport facilities and services in Greater London, including buses, London Underground, Docklands Light Railway, London Overground, TfL Rail/Elizabeth line, trams, the management of certain roads in London and the Congestion Charge scheme, cycling, river services, the licensing of taxi and private hire.

Rating Approach

Fitch rates TfL under its *GREs Rating Criteria* and assesses four factors covering the strength of linkage and incentive to support. The assessment under these criteria gives a total scoring of 40 points. With a standalone assessment at 'a-', four notches away from the current UK sovereign rating, this would lead to a top-down minus one rating under the Notching Guideline Table.

Principal Rating Factors

Summary

	Strength of linkage		Incentive to support	
	Status, ownership and control	Support track record and expectations	Socio-political implications of GRE's default	Financial implications of GRE's default
Rating factors	Strong	Strong	Strong	Very Strong

Source: Fitch Ratings

Strength of Linkage

Status, Ownership and Control – Strong

Status

TfL is a statutory corporation subject to local government finance rules. It is regulated under the Local Government Act 2003 and the Local Government Finance Act for capital finance purposes. TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006. TfL must produce a balanced budget each year. The sum of revenues, grants, contingencies and borrowing has to equal total operating and capital costs and debt service. TfL cannot be liquidated or made bankrupt.

Ownership and Control

TfL is a functional body of the GLA and reports to the mayor of London. The current mayor, Sadiq Khan, is chair of the board. The mayor appoints the board members, as well as developing and publishing a Transport Strategy reflecting transport priorities in London. The Commissioner, who is appointed by the board, reports to the board and leads the management team, which is accountable for the daily running of the organisation.

The GLA has a strategic role in London's planning and operations. It is run by the mayor and an assembly of 25 members, all of whom are directly elected every four years. Its main responsibilities are transport, policing, fire and emergency planning, housing, culture and the environment across the Greater London area.

Since 2004, a prudential scheme for local authorities, including the GLA and its bodies, has been in place, allowing TfL to borrow up to authorised limits. The mayor is required to approve the affordable borrowing limit for TfL each year as the legal maximum. TfL agrees its incremental borrowing limits with the central government as part of the funding settlement.

Related Criteria

[Government-Related Entities Rating Criteria \(March 2019\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(May 2019\)](#)

Support Track Record and Expectations – Strong

TfL funds itself through a mixture of central and local government grants and own revenue such as fares. The GLA channels the block grants, which cannot be intercepted and used for anything other than the intended purpose and cannot be used to fund shortfalls in one functional body through surpluses in another. In Fitch’s opinion, the central government would grant extraordinary support to TfL in case of need, as the GLA does not have the funding or resources to do so.

To date, about a third of TfL’s total revenue has come from grants. Part of this is paid directly to TfL by the DfT, part of it is transferred from the DfT via the GLA, and part of it is through business rates collected and distributed by the GLA. The expected amounts of grant to be received are agreed at the time of the Spending Review. TfL’s latest funding settlement is from 2017 and is reflected in its 2018 Business Plan.

The financing package agreed between the DfT, the GLA and TfL in December 2018 to deliver the final stages of the project and open the Elizabeth Line as quickly as possible is evidence of further support from the UK government. A scalable and sustainable arrangement was designed to cover the estimated range of the capital cost overrun.

Incentive to Support

Socio-Political Implications of GRE’s Default – Strong

Greater London has a population of around 8.8 million. London’s population is expected to rise to 10.8 million people by 2041, creating six million additional journeys every day. London accounts for 22% of the UK’s gross value added (GVA).

TfL bases its revenue projections on growth forecasts provided by GLA Economics. In November 2018, real GVA growth for London was forecast to be 1.9% for 2018, decreasing to 1.6% for 2019 before reaching 1.9% in 2020. Approximately four billion journeys are undertaken on TfL’s services each year. Fitch believes that TfL would be difficult to substitute in the short to medium term, with the transition process likely to lead to severe service disruption. Financial default would not necessarily materially affect the provision of service or hamper TfL’s investment programme, but the political repercussions would be significant.

Financial Implications of GRE’s Default – Very Strong

The financial implications of a TfL default have been assessed as Very Strong. If TfL were to default, it would impair the availability and cost of borrowing for other GREs in the UK. The shock waves from such an event would result in a fundamental rethink of exposure to the public sector and would inevitably lead to a restriction on future lending. We believe the capital markets (30% of TfL borrowing) and the EIB (30% of borrowing) would restrict funding.

Standalone Credit Profile Assessment

TfL’s Standalone Credit Profile (SCP) under the *Public Sector, Revenue-Supported Entities Rating Criteria* has been assessed as ‘a-’, with Revenue Defensibility assessed as Stronger, Operating Risk as Midrange and Financial Profile as Stronger. Based on this SCP, four notches away from the sovereign, the Notching Guideline Table gives a top-down minus one rating.

Summary of Rating Factors

Revenue defensibility	Operating risk	Financial profile
Stronger	Midrange	Stronger

Source: Fitch Ratings

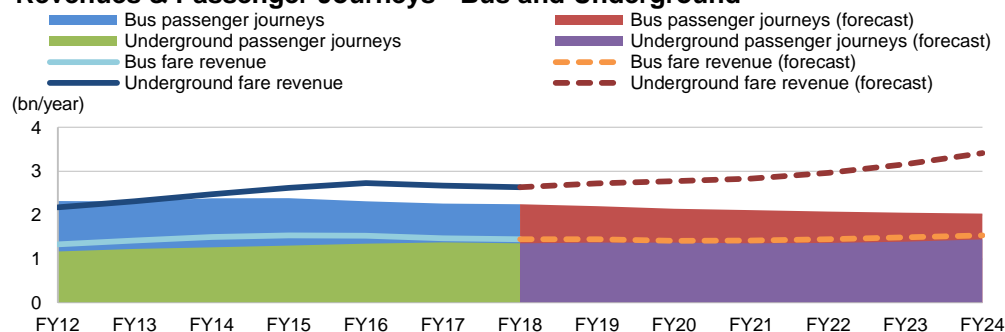
Revenue Defensibility

The revenue defensibility assessment covers two factors: demand and pricing. Demand has been assessed as Stronger, and pricing as Midrange. Overall, revenue defensibility has been assessed as Stronger.

Demand Characteristics

The Mayor’s Transport Strategy sets a target for 80% of all journeys to be made on foot, by cycle or using public transport by 2041 (compared with around 63% today), and TfL expects this to increase to around 65% by 2024. Passenger income makes up 50% of TfL’s income. Although passenger income is down, long-term growth is forecast. Declining transport demand can be seen from the average trips made by Londoners being 15% fewer than four years ago, reflecting similar national trends. Population growth has also declined, to 0.6% in the financial year to end-March 2017 (FY17) from 1.7% in FY09. Nevertheless, the population is still predicted to grow to 10.8 million from 8.8 million by 2041. Additionally, year-on-year growth has declined in the last few years. Nevertheless, Tube journeys are returning to growth, and although bus demand is still in decline, it is forecast to stabilise.

Revenues & Passenger Journeys - Bus and Underground



Note: Elizabeth line is included in the Underground fare revenue figures from FY16
 Source: Fitch Ratings, FY19-24: TfL Business Plan December 2018

London Underground: The Tube network carries nearly 1.4 billion customers across London in a year and is one of the largest metros in the world. Passenger income was GBP84 million higher in FY19 than budget and GBP135 million better than in FY18, reflecting a small improvement in customer demand. In FY19, the London Underground accounted for 35% of TfL’s total passenger journeys. Passenger journeys were GBP32 million higher than budget and GBP27 million higher than in FY18 as underlying demand recovers from the downturn seen in FY18.

Elizabeth Line – Currently Operating as TfL Rail: The Elizabeth line will deliver an additional 10% to central London’s rail capacity. Passenger income increased by GBP18 million compared to FY18 due to an increase in passenger journeys, including on the new Paddington to Heathrow service. However, passenger income was lower than budget due to the delayed start of Elizabeth line services, also leading to demand being 29% lower than budget. Customers have instead continued to use other modes of TfL transport.

Buses: Underlying year-on-year demand for FY19 shows a decline of approximately 1.5% with the reduction primarily occurring on off-peak travel.

Streets – Transport for London Road Network: Income for FY19 was higher year on year due to increased enforcement, compliance and cost recoveries, partially offset by reduced Congestion Charge income resulting from lower volumes of charge-paying vehicles entering the zone. Cycling increased 14% compared to the 2014 baseline to reach the highest level on record. In FY18, levels of cycling were adversely affected by extreme weather conditions.

Rail – DLR, London Overground and London Trams: In FY19, passenger income was GBP7 million below budget mainly owing to weaker demand for journeys on London Trams and London Overground. In FY19, passenger journeys were 0.6% higher than in FY18.

Pricing Characteristics

Fitch considers the pricing characteristic as Midrange, because TfL does not have the independent ability and full flexibility to collect revenues sufficient to cover all costs through increases in fares. The mayor of London sets fares in consultation with TfL, and within the context of a balanced budget. Sadiq Khan has pledged to freeze all TfL-controlled fares for four years until 2020. Daily/weekly caps and travel cards are linked to the national government policy on rail fares and have continued to increase in line with national fares.

TfL’s primary source of gross income is passenger income on London Underground, rail and bus networks, representing 86% of all revenue generated by TfL. This is forecast to be 78%-80% over the business plan to FY24.

Within the 2018 Business Plan, for the operating plan, funding primarily comes from fares, business rates received from the GLA and other operating income. About GBP1 billion per annum of business rates have also been included in the capital plan. However, these are not ring-fenced and can be used for both investment and operating purposes (such as debt service).

Operating Risks

The operating risk assessment covers two factors: operating cost flexibility and resource management. Operating costs have been assessed as Midrange and resource management as Stronger. Overall operating risks have been assessed as Midrange.

Operating Costs

TfL expects to reduce like-for-like operating costs through a number of measures including reductions in back and middle office, ensuring rail services continue to break even, limiting the subsidy required for buses and streets, and achieving break-even in other operations. Nevertheless, the Elizabeth line, once operational, and the modernisation of the London Underground will be the largest contributors to TfL’s financial sustainability as well as commercial activities.

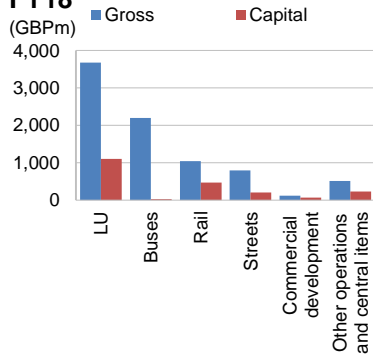
The initial phase of transformation, which contributed to reducing operating costs and a net operating deficit, had delivered annualised savings of GBP542 million by FYE18 from operating model changes and driving better value through contracts. Operating costs continue to grow over the plan but primarily due to growth in TfL’s services. Nevertheless, savings of just under GBP1 billion are expected by FY23. GBP165 million of savings are expected to have been made in FY19, primarily from London Underground maintenance modernisation but also from right-sizing the bus network, bus tender prices and back-office efficiencies.

The 2018 Business Plan outlines an overhaul in order to drive efficiency and aims to achieve a positive net cost of operations before financing (and after capital renewals) by FY22 and a positive net cost of operations (after net financing cost) by FY23. Cost reductions are being achieved by merging functions, reducing management layers, cutting expenditure across areas that support operational business, reducing reliance on agency staff, negotiating better deals with suppliers, and scrutinising ways of delivering major projects.

Resource Management Risk

TfL is one of the largest employers in London, with an average 26,994 permanent staff in FY18 (including fixed-term contracts), down from 27,131 in FY17. In FY18, staff costs accounted for 30% of operating costs (including depreciation). There are no supply constraints for labour or resources in terms of amount, cost or timing.

Breakdown of Expenditure FY18



Source: Fitch Ratings, TfL FY18 accounts

TfL Initial Funding of the Elizabeth Line – Capped at GBP7.1bn

Source	(GBPbn)
Indirect funding	4.7
GLA borrowing backed by Business Rate Supplement (BRS)	3.5
Boroughs backed by BRS, Community infrastructure Levy, developer contributions (GBP0.6bn of which is through GLA)	1.2
TfL direct funding	2.4
EIB corporate loan for the Elizabeth line	1.0
Other corporate borrowing	1.0
Sale of TfL surplus land	0.4
Total TfL funding sources	7.1
DfT funding sources	5.2
(Including BAA plc, City of London, DfT grant)	
Other funding sources	2.5
(including network rail surface works, other)	
Total funding envelope	14.8

Source: Fitch Ratings, TfL

Capital Planning and Management

Capital planning and management are assessed as Neutral. TfL has adequate mechanisms for capital planning and funding, and has demonstrated generally effective management. Capex benefits from documented assessment and aligns to plan in a reasonable way.

Funding for the capital plan within the 2018 Business Plan is from investment grants, the Elizabeth Line funding sources, borrowing and property income. TfL has assumed annual spend of GBP425 million-650 million on capital renewals as well as around GBP1.4 billion on new capital investment. Any capex for very large single projects (like Crossrail 2) would need additional funds not covered in the Business Plan.

Elizabeth Line: Major Capital Expenditure Project

The Elizabeth line is TfL’s most significant capital expenditure project. A high-frequency, high-capacity service will be delivered to 41 stations, 10 of which will be new. It will expand the city’s rail network capacity by 10%, and aims to generate more than GBP40 billion for the UK economy. An additional 1.5 million people will be within 45 minutes’ commuting distance of the capital’s key business districts.

In August 2018, Crossrail Ltd announced a delay to the opening of the Elizabeth line to autumn 2019. In December 2018, emerging findings from KPMG indicated a likely capital cost overrun of between GBP1.6 billion and GBP2 billion. A financing package for Crossrail was then agreed between the DfT, the GLA and TfL to deliver the final stages of the project and open the Elizabeth line as quickly as possible. In April, Crossrail announced its expectation of the central section of the Elizabeth line opening within a six-month window with a midpoint at the end of 2020. All stations on the route are expected to open except for Bond Street, which will be delayed because of design and delivery challenges. Once the central section opens, full services across the Elizabeth line will commence as soon as possible.

Crossrail 2

Crossrail 2 is a project under development, and is being jointly developed by TfL, the GLA and the DfT. It would serve stations throughout south-east England, linking south-west and north-east London as well as destinations across Surrey and Hertfordshire. The mayor is committed to delivery in the 2030s.

Financial Profile

Financial Performance

TfL’s financial profile has been assessed as Stronger. For FY18, TfL recorded a deficit on the provision of services after tax of GBP176 million, down from a surplus of GBP327 million for FY17. This was partly due to the difference of GBP778 million in business rates received in FY18 compared to GBP1.107 billion in resource and investment grant received in FY17 from the DfT. It was also due to TfL having had GBP594 million of pension costs vs GBP366 million in FY17. Fare income reduced 1% to GBP4,319 million in FY18. Total income from other sources remained stable at about GBP1 billion.

Leverage Profile

Net adjusted debt/EBITDA is just over 8x and is expected to remain in the range of 10-12x over the medium term in Fitch’s rating case. Along with the revenue defensibility and operating risk assessments, this leads to a standalone rating of ‘a-’, four notches below the current UK sovereign rating.

TfL has developed stress tests that consider a range of impacts on London, including macro political and economic changes, as well as the impact of disruptive technology on its operations and network. It is developing mechanisms to be able to react effectively and will mitigate uncertainty by: reprioritising its capital programme; closely monitoring its cash position to maintain a buffer; only committing to investment when sure it can be funded; reviewing inner

Elizabeth Line Financing Package Agreed with the Government, December 2018^a

Source	(GBPbn)
Total financing	2.15
Initial contribution provided by GLA to TfL as capital grant	1.4
Bespoke contingency loan facility from DfT to TfL	0.75
Removal of put and call options as the agreed package is designed to support the project to completion	

^a Superseding GBP350m interim financing offered by DfT in October 2018 to maintain momentum

Source: Fitch Ratings, TfL

London bus services if demand falls, and asset recycling options similar to the Elizabeth line fleet sale and leaseback. Additionally, in the event of unbudgeted downward risks affecting its Business Plan, TfL and the mayor could review the entity's position in a number of areas including: asset sales, fares and concessions, bus subsidy, healthy streets and their investments, borough funding, roads income and the allocation of retained business rates.

TfL's stress tests show that key impacts on TfL's finances would be from lower revenue due to reduced passenger and commercial demand as well as increased operating costs due to higher inflation. The impact on financing costs and tariffs would be relatively minor. Work is ongoing to mitigate the potential risks of a hard Brexit.

Liquidity Profile

TfL had cash and liquid deposits of GBP1.9 billion at FYE18, of which GBP0.6 billion was ring-fenced for the Elizabeth line. TfL has a policy to maintain cash and liquid assets of at least 30 days' worth of operating expenditure, currently about GBP550 million, although it would generally maintain levels above this.

TfL generally has ample access to external liquidity. TfL, and other local authorities, may borrow from the Public Works Loan Board (PWLb, a statutory body operating within the UK Debt Management Office), which provides easy and direct access to funding at very short notice. PWLb will lend any amount to TfL within authorised borrowing limits set by the mayor, at a rate of Gilts + 80bp. Funds would be credited to TfL within 48 hours of a request. At FYE19, TfL also had GBP200 million of undrawn overdraft facilities, a history of issuing under its GBP2 billion commercial paper programme, and GBP200 million in committed facilities. In addition, TfL has a minimum of GBP300 million of overnight daily liquidity in its investment portfolio.

Debt Characteristics

TfL's direct nominal debt totalled GBP11.2 billion at FYE19, an increase of 7% or GBP0.7 billion from GBP10.4 billion at FYE18. At FYE19, TfL bonds accounted for 30% of total direct debt as did EIB borrowing, with PWLb funding accounting for 29% and commercial paper and EDC borrowing forming the rest. The weighted average maturity of debt at FYE18 was 19.2 years, and the weighted average interest rate was 3.6%, in line with FY17.

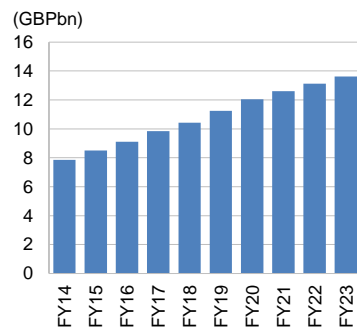
TfL has given guarantees in respect of some of its subsidiary companies' contracts, totalling GBP1.3 billion at FYE18. This is based on approximate amounts of debt that were envisaged to be drawn by the counterparty at the signing of each agreement. TfL is legally required to recognise its guarantees, and those that have value are recorded as a liability on the balance sheet. All guarantees have been assessed as having zero or immaterial value and disclosed for information purposes only. All guarantees granted are over obligations of TfL's subsidiaries, which are already recorded as liabilities on the balance sheet. Some of TfL's PFI contracts contain commitments that could result in breakage costs in the event of early termination.

For a portion of borrowing requirements, TfL uses interest rate derivatives. TfL is allowed to enter into derivatives to mitigate risk under section 49 of the TfL Act of 2008. At FYE19, Transport for London Finance Limited held various interest rate derivative contracts with a combined notional value of GBP583 million (GBP679 million at FYE18).

Pensions

Most of TfL's employees are covered by a defined-benefit pension scheme managed by a wholly owned subsidiary. The latest available full actuarial valuation from March 2018 showed a GBP603 million deficit. The total deficit recognised in respect of all funded and unfunded pension liabilities of GBP4.7 billion for FY18 was not included in the total risk figure, as this is the accounting figure and not what TfL is required to fund. The valuation of the unfunded obligation was GBP97.8 million at FYE18 and is fully provided for in TfL's accounts.

Actual and Projected Debt



FY19-FY23: Business plan
Source: Fitch Ratings, TfL

TfL Borrowing

(GBPm)	FYE19	(%)
TfL bonds	3,320	30
EIB	3,365	30
PWLb	3,290	29
CP	650	6
EDC	550	5
Total direct debt^a	11,175	

^a Note: Shows undiscounted remaining cash flows relating to debt
Source: Fitch Ratings, TfL

TfL Incremental Borrowing Limits

Year	(GBPm)
FY19	820
FY20	800
FY21	580
FY22	500
FY23	500

Source: Fitch Ratings, TfL

Appendix A

Transport for London

Year to 31 March (GBPm)	FY14	FY15	FY16	FY17 restated	FY18
Income statement summary and profitability					
Total operating revenue (exc. transfers and grants from public sector)	4,789.6	5,039.2	5,288.6	5,399.2	5,382.4
Operating revenue growth (%)	6.5	5.2	5.0	2.1	-0.3
Transfers and grants from public sector	1,945.8	1,808.9	1,436.3	1,354.3	2,126.2
Transfers and grants from public sector/total revenues ^a (%)	28.9	26.4	21.4	20.1	28.32
Operating balance	-38.4	-206.8	-711.3	-480.4	-2.9
Interest expense	377.7	408.2	414.8	412.7	424.4
Profit (loss) after tax	2,936.5	2,303.5	1,008.1	326.6	-176.3
Personnel costs/total revenues ^a (%)	26.5	27.0	28.9	29.1	30.0
Fitch calculated EBITDA margin (%)	14.6	12.2	6.1	8.9	14.8
FCF margin (%)	4.2	2.6	2.0	-5.2	-3.1
Return on equity and reserves (%)	13.2	9.5	4.0	1.4	-0.7
Return on assets (%)	8.2	5.9	2.5	0.8	-0.4
Balance sheet summary					
Total assets	35,863.2	39,030.8	40,867.5	41,834.2	42,959.1
Stock	47.7	53.9	70.6	71.7	64.2
Cash and liquid investments	4,569.1	4,667.8	3,314.4	1,961.4	1,931.8
Reserves	22,174.4	24,257.3	25,236.1	23,586.8	24,461.9
Equity	0.0	0.0	0.0	0.0	0.0
Cash flow summary					
EBITDA (Fitch calculated)	991.1	847.9	469.1	602.6	1,107.2
CFO: Cash flow from operations	687.5	528.5	272.5	295.5	517.3
Net capital expenditure	-401.8	-353.1	-135.0	-648.9	-749.0
Cash flow before financing	285.7	175.4	137.5	-353.4	-231.7
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity injection	0.0	0.0	0.0	0.0	0.0
New borrowing	435.1	668.1	623.1	733.4	961.3
Other cash financing	-481.2	-396.2	-393.5	-405.9	-326.6
Debt repayment	-107.1	-22.1	-25.3	-53.0	-342.8
Cash flow after financing	132.5	425.2	341.8	-78.9	60.2

^a Includes revenue from the public sector

Summary of Data Adjustments: Fitch has made an adjustment to the statutory accounts in order to reflect the operating nature of TfL:

- a positive adjustment has been made to Fitch calculated EBITDA for all years, representing the difference between the total amount of revenue grants received and the total amount of grants allocated to revenue in the statutory accounts
- from FYE18 non-ring-fenced business rates received from the GLA and used to fund capital have been reclassified to "Other Revenues considered as Turnover" from Capital Grants, since they could be used to fund operating expenditure if required

Source: Fitch Ratings, TfL

Appendix B

Transport for London

Year to 31 March (GBPm)	FY14	FY15	FY16	FY17 restated	FY18
Debt summary					
Short-term debt	709.2	784.3	832.1	1,105.7	846.2
Long-term debt	7,158.1	7,730.0	8,281.0	8,689.6	9,569.4
Finance leases	821.8	746.0	659.1	564.8	488.1
Subordinated debt					
Total debt	8,689.1	9,260.3	9,772.2	10,360.1	10,903.7
Other Fitch classified debt	0.0	0.0	0.0	0.0	0.0
Unfunded pension liabilities	0.0	0.0	0.0	0.0	0.0
Adjusted debt	8,689.1	9,260.3	9,772.2	10,360.1	10,903.7
Adj. cash, liquid deposits and sinking fund	4,569.1	4,667.8	3,314.4	1,961.4	1,931.8
Net debt	4,120.0	4,592.5	6,457.8	8,398.7	8,971.9
Net adjusted debt	4,120.0	4,592.5	6,457.8	8,398.7	8,971.9
Contingent liabilities	0.0	0.0	0.0	0.0	0.0
Net overall risk	4,120.0	4,592.5	6,457.8	8,398.7	8,971.9
% debt in foreign currency	0.0	0.0	0.0	0.0	0.0
% debt at fixed interest rate	98.0	99.6	99.4	99.6	97.1
% issued debt	29.9	33.5	37.3	32.1	30.5

Coverage and leverage

Total debt/Fitch calculated EBITDA (x)	8.83	11.12	23.95	17.19	9.85
Adjusted debt/Fitch calculated EBITDA (x)	8.83	11.12	23.95	17.19	9.85
Net debt/Fitch calculated EBITDA (x)	4.2	5.5	15.8	13.9	8.1
Net adjusted debt/Fitch calculated EBITDA (x)	4.2	5.5	15.8	13.9	8.1
Fitch calculated EBITDA gross interest coverage (x)	2.60	2.04	.98	1.46	2.61
Net debt/(cash flow before financing) (x)	14.42	26.18	46.97	-5.07	-38.72
Total debt/equity and reserves (%)	39.19	38.18	38.72	43.92	44.57
Total debt/total assets (%)	24.23	23.73	23.91	24.76	25.38

Sector-specific data

Total km in operation	584	586	594	599	595
Passengers per km	6,707,191.8	6,778,157.0	6,722,222.2	6,647,746.2	6,626,554.6
Public funding per passenger (units)	0.5	0.5	0.4	0.3	
Operating costs per passenger (units)	1.7	1.8	1.9	1.8	
Revenue – fare box	3,807.4	3,989.1	4,258.4	4,365.7	4,319.4
Revenue – fare box/operating costs (%)	56.21	56.54	57.27	60.35	57.50
Revenue – fare box/operating revenues and revenue from public sector (%)	56.53	58.25	63.32	64.64	57.53

Summary of Data Adjustments: Fitch has made an adjustment to the statutory accounts in order to reflect the operating nature of TfL:

- a positive adjustment has been made to Fitch calculated EBITDA for all years, representing the difference between the total amount of revenue grants received and the total amount of grants allocated to revenue in the statutory accounts
- from FYE18 non-ring-fenced business rates received from the GLA and used to fund capital have been reclassified to "Other Revenues considered as Turnover" from Capital Grants, since they could be used to fund operating expenditure if required

Source: Fitch Ratings, TfL

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