

## United Kingdom Credit Analysis

# Transport for London

### Ratings

<b>Foreign Currency</b>	
Long-Term Rating	AA
Short-Term Rating	F1+
<b>Local Currency</b>	
Long-Term Rating	AA

### Outlooks

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

### Financial Data

#### Transport for London

	31 Mar 09	31 Mar 08
Operating revenue including grants (GBPm)	4,758.3	5,690.2
Direct debt (GBPm)	3,090.9	1,950.0
Total risk including finance leases (GBPm)	5,283.5	5,260.6
Operating profit/total revenue (including grants; %)	-27.57	-0.87
Total risk/total revenue (%)	111.04	92.45
Total risk/total assets (%)	25.25	27.35
Cash and liquid deposits/total risk (%)	37.89	36.27

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### Related Research

#### Applicable Criteria

- [Revenue-Supported Rating Criteria \(December 2009\)](#)
- [Rating of Non-US Public Sector Entities \(September 2009\)](#)

### Rating Rationale

- The ratings are underpinned by Transport for London's (TfL) importance to the economic development of the Greater London area and its strong links with the central government. However, the ratings also take into account: TfL's ambitious capital spending plan, particularly the new Crossrail project; limited and shrinking budgetary flexibility; and operational and contractual risks attached to the public-private partnership (PPP) for the London Underground.
- TfL's dependence on indirect central government support is a positive rating factor. Central government grants accounted for an average around 40% of its total revenue. Additional tangible evidence of government support is the extraordinary funding of GBP1.7bn received to compensate for the exercise of the put option by the providers of finance to Metronet, which TfL had to repay. TfL subsequently acquired the Metronet undertakings.
- Tube (ie, London Underground) and bus use has been negatively affected by the economic slowdown and patronage is forecast to remain flat in the bus network and decline in the Tube network in the coming years. Nevertheless, the projection is that Tube patronage will start rising from 2012 and that of the bus network by 2013. However, the business plan does not forecast a decline in fare revenue as the rise in ticket prices (retail price index + 2%) will compensate for the reduction in patronage.
- TfL's ambitious capital expenditure plan has resulted in a moderate increase in financial debt. However, debt increases further if obligations under the PPP projects are added. The business plan indicates additional direct debt of about GBP5.2bn during the period, making total indebtedness of GBP8.4bn by FY18. Due to the considerable increase in leverage, the direct and indirect government support will become increasingly important to the rating.
- The Crossrail project will be an important investment for TfL, and is expected to cost about GBP15.9bn, with additional off-balance-sheet financing of GBP1.5bn, part of which will be funded by TfL. Although the project will create some risk for TfL, particularly if there is a cost overrun, there are sufficient safeguards in place (such as the put option to the central government) to cap TfL's liabilities at a pre-determined level. Fitch will monitor the execution cost of the project against projections.

### Key Rating Drivers

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

### Profile

TfL, which reports to London's mayor, is a functional body of the Greater London Authority (GLA). It was created in 2000 and took over all responsibilities for buses and other transport functions in London from the government. Its remit includes roads and bridges, buses, the Docklands Light Railway (DLR), river services and taxis. London Underground Limited (LUL) was passed to TfL in July 2003.

## Legal and Accounting Framework

### Links Between the Greater London Authority and TfL

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

Most of these responsibilities are undertaken by four separate functional bodies: TfL, the Metropolitan Police Authority, the London Fire Emergency Planning Authority and the London Development Agency. The aggregate budget (excluding debt raising) of the GLA and its four functional bodies for 2009-2010 is GBP12.2bn, of which TfL (62% of the total) and the Metropolitan Police (29%) are the main components. The GLA itself only accounts for a very small part of the total budget (GBP139.9m) and is funded through grants and a council tax precept.

TfL is funded through a combination of block and tied grants from the central government and own revenue (such as fares). The block grants are channelled through the GLA but this body has no authority to intercept these moneys or use the funding for other purposes than those intended. The grants cannot, therefore, be used to fund shortfalls in one functional body through surpluses in another. TfL's ratings are therefore not credit linked to the credit quality of the GLA (not rated), as the latter would not have the funding or resources to be able to assist or bail out the functional body.

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

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

### *TfL Strategic Policy Set by the New Mayor*

In May 2008, Boris Johnson of the Conservative Party became the new mayor of the GLA. Since 2000 the GLA had been led by Ken Livingstone of the Labour Party. The policy of the new mayor is to maintain the strong focus on modernisation of the Tube infrastructure (part of which will continue to be undertaken under the PPP scheme), but with more emphasis on security – new officers will be recruited to police the network – and commitment to the Crossrail project. A revised Transport Strategy plan formulated by the new mayor was published in 2009 and contained his commitment to reduce traffic congestion, continue to improve the Tube infrastructure, increase capacity (in particular through Crossrail) and encourage the use of cycling as an alternative form of transport in the capital.

Transport in London is a key national political issue

The Greater London area is home to about 7.5 million people, representing more than 12% of the UK's population. It is expected to have 8.1 million inhabitants by 2016. The capital city also provides 18% of national gross value added. Capital cities play a central role in international competitiveness, and in this context urban transport is crucial for the economic development of the metropolis in terms of the mobility of the workforce, efficiency of the communications network and quality of life for residents. It is widely recognised that London suffers from many handicaps in this respect compared with other large cities such as New York, Paris and Tokyo. The success of London's Olympic bid in July 2005 underlined the commitment of central government to supporting the upgrade of the capital city's transport network. Fitch shares the view that the organisation of the games will ease the

implementation of the mayor's transport strategy, although the agency will monitor the actual financial support delivered to TfL by the central administration.

## Finances and Performance

### Accounting Regime Primarily Based on the Local Authority Framework

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

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

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

## Revenue

### Fares Critical But Offer Little Flexibility

Fares account for a significant part of TfL's own revenue (around 82% in FY09) but make a lesser contribution when total revenue (including government grants) is included. The table *Fare Revenue and Patronage* below breaks down revenue and fares by business area.

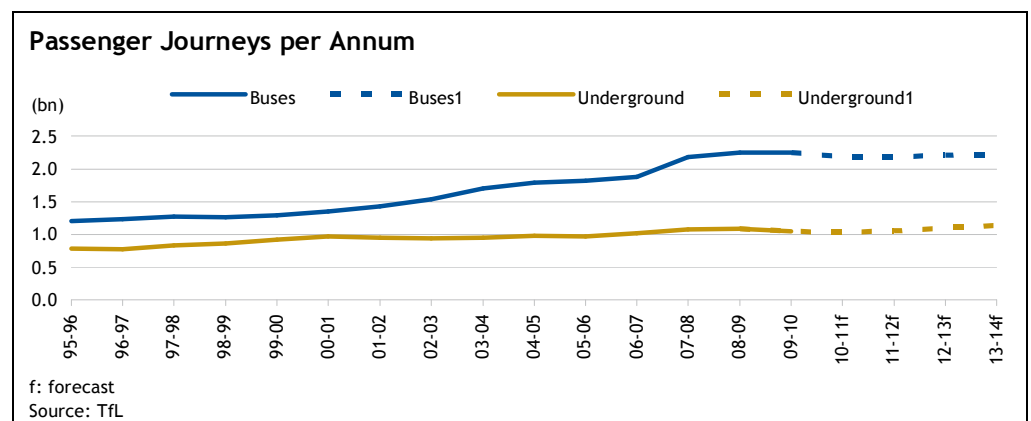
### Fare Revenue and Patronage

	2009		2008	
	Fares <sup>a</sup>	Patronage <sup>b</sup>	Fares <sup>a</sup>	Patronage <sup>b</sup>
London Underground	1,769	1,089	1,654	1,072
Surface transport	1,528	2,247	1,524	2,176
Rail	120	66	78	67

<sup>a</sup> GBPm

<sup>b</sup> Passenger journeys (m)

Source: TfL



The fare structure is highly sophisticated, with pricing innovations such as off-peak prices and family discounts, and is much more market oriented than in other cities. Average underground fares rose by 5.8% in January 2009 and bus fares by 6.3%. Oyster card (an electronic ticketing system) remains the preferred payment method. Close to 35% of total fares were paid on a "pay as you go" basis with Oyster cards and only around 2.7% of fares by cash. Some fares are prepaid and receipts in advance for travel cards and bus passes totalled GBP191.4m in FY09. Fares are the sole responsibility of the mayor.

The Mayor is committed to continue increasing fares at retail price index (RPI) plus a percentage increase in order to assist the funding of the ambitious capital expenditure programme undertaken. The Business Plan covering 2009-2018 includes a small but regular increase in fares at RPI plus 2% from 2011.

Patronage for both Underground and buses has increased year on year since the creation of TfL. Nevertheless, the economic downturn has had a negative impact and patronage is expected to decrease in the coming years. TfL estimates that the decline in patronage will have a negative impact of around GBP690m during 2010-2012. However, passenger numbers are expected to recover in the following years.

**London Underground (LU):** The Tube represented the largest contribution to fare revenue, with 47% of total fare income in FY09. During the year it operated the largest number of passenger journeys ever over its 70.6 kilometres (km) of lines. LU also took over the former Metronet undertakings, which had entered into PPP administration in 2007. Their staff was transferred to LUL. Considerable investment in upgrading and capacity increasing is still taking place, although some of this work will continue to be undertaken through a PPP. TfL forecasts a decline in tube patronage from 2010 and a recovery to 2009 levels by end-2012. These assumptions have been incorporated into the business plan and act as a basis for revenue projections. Fitch expects the long-term trend to be positive due to the rising population in the urban area, which is likely to result in greater demand, while the enhanced service and network quality, and the congestion charge in central London have also contributed to greater use of public transport.

**Surface Transport:** Bus transport accounted for 31% of total fares and TfL operated more than 2,247 million passenger journeys in FY09 over its 478km network. The growth of bus use in London has been well above targets and resulted from a combination of increased investment and the introduction of measures to support public transport. Bus patronage is projected to remain flat but to pick up from 2013. TfL has outsourced some of the execution of operations, including bus services, all of which are operated by private companies, with which it has five-year contracts; six companies control 90% of the bus routes. Expenditure related to bus operators' contracts has increased as a result of: the "TfL bonus" (an increase in wages with a view to reducing labour shortages); and bonuses paid to operators for providing a more reliable service after the implementation of the congestion charge (these incentives are capped and do not exceed 6% of the contract's value). In the long term, this contract structure offers some flexibility.

**Rail:** This includes the London Overground network and Dockland Light Rail (DLR). Passenger journeys on the DLR decreased slightly in 2009 to 66 million (FY08: 67m), partly as a result of engineering work disruptions. However, with the opening of Crossrail (see *Present Capital Expenditure Includes Crossrail and Further PFI/PPP* below) this area of activity is expected to increase in importance.

**Grants:** These are a prominent part of TfL's revenue. They are part of the DfT's settlement and are passed to TfL through the GLA, according to the provisions laid down in the Greater London Authority Act 1999. This grant is earmarked for TfL and the GLA cannot use it for other purposes.

Government funding is regulated by the spending review process, which sets a global funding package for a three-year term. The most recent spending settlement, in February 2007, covered a 10-year period, demonstrating continued strong financial support from the central government, with grants totalling GBP30.3bn for 2010-2018. This financing agreement has now been incorporated into the revised business plan (see *Projections: Revised Business Plan to 2018* below).

### *Congestion Charging: A Qualified Strategic Success*

In 2003 TfL launched the congestion charge, aimed at reducing the number of private cars entering the most congested central areas. The congestion charge

Central government funding is crucial for TfL's ongoing operations and an important positive rating factor

system is operated by a private contractor. Although it has been extremely successful in terms of the restriction of car traffic and the increase in bus patronage, it is generating less revenue than expected. The charge was raised to GBP8 from GBP5 in July 2005 and is expected to increase to GBP9 for account holders and GBP10 for non-account holders by end-2010. In February 2007 the congestion charging zone was extended to include the western portion of central London. In FY09 revenue from the congestion charge totalled GBP325.7m, while expenditure for operating it was GBP177.2m. However, the results of the electoral promise by the new mayor to hold a consultation on the extension of the congestion charge indicated overwhelming disapproval for the extension and it has been decided to abolish this part by end-2010.

## Expenditure

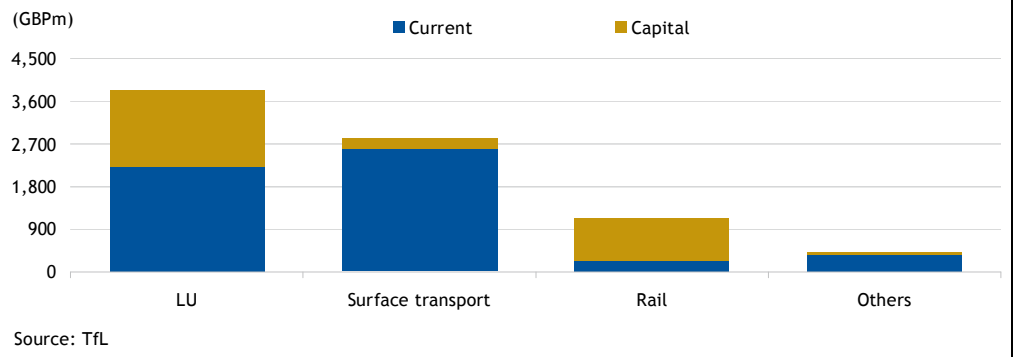
### *Staff Costs and PPP Charges the Main Components of Operating Expenditure*

The TfL group is one of the largest employers in London, with more than 28,600 staff. Personnel costs make up about 33% of operating costs (including depreciation). The average staff number at FYE08 was 21,634 and the increase in FY09 largely related to the absorption of personnel previously working for Metronet, as TfL took over this operation when Metronet went into PPP administration.

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

Metronet entered into PPP administration in July 2007 and TfL lodged a formal bid to the administrator for the Metronet undertakings. The administrator accepted TfL's bid and these were transferred to the body in May 2008 for GBP50m. At the same time, the banks that had extended the financing to the Metronet companies exercised their put option on the facilities granted and TfL had to pay GBP1.75bn under the guarantee. TfL received an extraordinary grant from the government of GBP1.7bn to finance most of the put option.

### Breakdown of Expenditure



Disputes with the PPP project companies are ongoing

Payments relating to the PPP and private-finance initiatives (PFIs) represent around 50% of operating costs. LUL has PFI contracts in three major procurement areas (power, communications and ticketing), although TfL has implemented the early termination of the ticketing PFI contract and will undertake this responsibility directly from early 2010. The PPP contract is being financed through the Infrastructure Service Charge (ISC), which is paid every four weeks to Tube Lines (the only remaining infraco undertaking the maintenance and renewal works on the network; see *A Number of Contingent Liabilities* below). Under a commitment

made by the DfT in February 2003, this expenditure has been taken into account in the level of the transport grant.

***Present Capital Expenditure Includes Crossrail and Further PFI/PPP***

TfL has an ambitious capital expenditure programme with the goal of increasing capacity on the Tube by 30% and Rail by 10% by end-2020. Part of TfL's capital expenditure is made through the existing PPP projects undertaken by Tube Lines. Capital expenditure by the group in FY09 was about GBP2.8bn, of which around 57% was on the Tube. Total investment of GBP15.6bn is projected by the end of the business plan period, of which about 34% will be funded through debt.

The second stage (seven-and-a-half-year period) of the Tube upgrade is also expected to be undertaken via a PPP project and will include the Piccadilly Line upgrade. However there is a significant GBP2.7bn difference between the cost estimated by TfL for the work and the estimate by Tube Line. The PPP Arbiter draft directions published on 17 December 2009 determined that the economic and efficient price for improving the Tube over the seven-and-a-half years from mid-2010 should be GBP4.4bn rather than the GBP6.8bn originally sought by Tube Lines.

Crossrail will be a key capital expenditure project

Crossrail will be the largest single capital expenditure project for TfL. It will consist of a 118km overground and 41.5km underground link beyond east and west London and will be delivered by a subsidiary of TfL, Crossrail Ltd. The link, part of which will use Network Rail's existing infrastructure, will start construction and upgrading in 2010 and is projected to be completed by 2017. The responsibility for operating this link will fall to TfL.

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

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

***Projections: Revised Business Plan to 2008***

Following the 2007 spending review and confirmation of TfL's funding for the period to 2018, a new 10-year business plan was published. The plan covered all the major expected capital expenditure, including PPP financing and the Crossrail project, and the mayor's electoral commitments.

The plan was updated in October 2009 to take into account of the changes in patronage projections, the UK fiscal climate and the new mayor's draft transport strategy. A major part of the plan will remain the Crossrail project, and it assumes a slight decline in patronage usage in the short term but tariff increases linked to RPI plus 2% per year. However, fare revenue from all modes of transport is projected to increase from the present GBP2.6bn to GBP4.9bn by end-2018 – an 88% increase. This may be challenging in the present economic climate. If the resulting increase in fares is below the projected amount TfL does have some flexibility to cut back or delay some capital expenditure (this flexibility has increased since it absorbed the PPP Metronet contracts). The plan also factors in identified savings of around GBP5bn over the period.

The table *Transport for London (Consolidated) Business Plan Forecasts* below shows the key forecasts of the plan to 2014.

## Transport for London (Consolidated) Business Plan Forecasts

(GBPm)	2010	2011	2012	2013	2014
Fares	2,854	3,013	3,181	3,446	3,691
Others	590	572	536	570	583
Operating costs					
Operating costs (excluding PPP/PFI)	-4,874	-4,981	-4,907	-5,138	-5,145
Other net operating expenditure (including PPP/PFI)	-870	-1,069	-1,086	-1,115	-1,081
<b>Operating deficit from operations</b>	<b>-2,300</b>	<b>-2,465</b>	<b>-2,276</b>	<b>-2,237</b>	<b>-1,952</b>
Transport grant and other transfers	3,049	3,723	3,479	3,637	3,557
<b>Operating profit after transport grant</b>	<b>749</b>	<b>1,258</b>	<b>1,203</b>	<b>1,400</b>	<b>1,605</b>
Interest receivable	12	5	4	8	15
Interest expensed	-168	-207	-258	-313	-349
<b>Surplus after net interest payment</b>	<b>593</b>	<b>1,056</b>	<b>949</b>	<b>1,095</b>	<b>1,271</b>
Capital revenue					
Asset sale and capital contributions	230	98	66	74	84
External funding for Crossrail	172	1,237	1,547	2,150	2,296
Capital expenditure					
TfL group	-2,222	-2,232	-1,702	-1,945	-1,883
Crossrail project	-694	-1,052	-1,410	-2,049	-2,537
<b>Net capital expenditure</b>	<b>-2,514</b>	<b>-1,949</b>	<b>-1,499</b>	<b>-1,770</b>	<b>-2,040</b>
Borrowing	1,100	405	575	652	1,298
<b>Overall results</b>	<b>-821</b>	<b>-488</b>	<b>25</b>	<b>-23</b>	<b>529</b>
Opening cash	1,561	740	252	277	254
Use of cash	-821	-488	25	-23	529
Closing cash balance	740	252	277	254	783
Year-end debt balance	4,190	4,595	5,170	5,822	7,120

Source: Fitch

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

### Debt, Contingent Liabilities and Liquidity

Until 2004 TfL had no long-term financial debt. However, by FYE09 financial debt had reached GBP3,091m. All debt is at fixed interest rates and its average life is 27 years with the first contractual debt amortisation scheduled for 2017.

TfL also has significant long-term commitments in the form of finance leases (GBP2,192m at FYE09), but most of the finance lease amount relates to the new assets acquired or modernised under the PPP contracts. Since the acquisition of Metronet the lease liabilities have reduced.

Overall total risk, as shown in the appendices, was GBP5,283m at FYE09, largely unchanged from the FYE08 figure of GBP5,260m. Even before the high cash and liquid investment position is taken into consideration (GBP2bn), the debt burden is moderate. Nevertheless, total risk (including lease and pension liabilities), as a proportion of operating revenue and grants, increased to 111% from 27% at FYE05.

TfL has established a borrowing programme under the prudential borrowing regime adopted for local authorities by Parliament in September 2003. This will be used to raise external funding over the business plan period (chiefly but not solely through an MTN programme with a ceiling of GBP3.3bn). So far, GBP600m has been issued in bonds.

Debt will increase to fund ongoing capital expenditure

For FY10 the TfL board approved a cap of GBP1.1bn on additional borrowing, of which GBP681m has been borrowed from the Public Works Loan Board and GBP200m from the European Investment Bank (EIB). A further GBP216m will be borrowed from the EIB by March and will include the first drawing of GBP150m on a total facility of GBP1bn from the EIB to be drawn in six tranches.

Despite the increase in debt under the business plan (to GBP8.3bn by FYE18 including the Piccadilly Line fleet funding), TfL projects that debt servicing will not rise to more than GBP600m during the period of indebtedness due to the extended nature of the debt amortisations. This means that it will still be below the 5% debt-servicing ratio internal limit during the period (projected to peak at 4.3%).

### A Number of Contingent Liabilities

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

The remaining PPP project is a 30-year service contract between LUL and Tube Lines for the maintenance and upgrade of the Tube's infrastructure. LUL remains the operating company, responsible for running the trains and stations, and determining the service pattern. The infrastructure assets are leased to Tube Lines, while the freehold of the assets remains with LUL. At the end of the 30 years, all the assets are returned to LUL. The Tube Lines consortium started modernising and maintaining the Jubilee, Northern and Piccadilly lines on 31 December 2002. The risks and obligations for LUL (and therefore for TfL) in relation to the infracos are contractual and operational.

Contractual risks and obligations are as follows:

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

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

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

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

### Pensions

Most TfL employees are members of the TfL Pension Fund, a defined-benefit scheme managed by a wholly owned subsidiary of TfL. The fund's actuary makes valuations every three years and recommends the level of contributions to be made



by the participating employers to ensure the long-term solvency of the fund. In the most recent accounts (31 March 2009), the fund had a deficit of GBP1.2bn under FRS17 standards.

### **Strong Liquidity Position**

TfL and its subsidiaries have access to traditional liquidity facilities (bank overdrafts). Limits collectively total GBP20m. The limited amount of these facilities is mitigated by the fact that TfL has a very strong cash and liquid deposit position (GBP1.8bn at end-November 2009) TfL also has board approval for an additional GBP50m of short-term debt.

Liquidity is closely monitored. The majority of the deposits are placed with UK government-guaranteed financial institutions or the Debt Management Office. TfL had GBP40m with Icelandic bank Kaupthing Singer & Friedlander (in administration) and has so far recovered GBP12.3m.

**Transport for London (Consolidated)**

(GBPm)	Actual			Re-stated	Actual
	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008 <sup>a</sup>	31 Mar 2009
Infrastructure assets	10,309.4	11,274.0	12,485.9	13,273.6	13,979.7
Rolling stock	1,292.8	1,357.7	1,366.6	1,374.5	1,572.2
Other fixed assets	444.3	449.3	493.7	497.6	558.2
Other non-current assets	789.4	990.5	1,003.1	1,572.6	2,304.0
Other financial assets	0.0	0.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>12,835.9</b>	<b>14,071.5</b>	<b>15,349.3</b>	<b>16,718.3</b>	<b>18,414.1</b>
Stocks	5.0	5.1	4.3	4.2	20.2
Debtors	338.4	301.6	302.7	601.9	488.4
Other current assets	0.0	0.0	0.0	0.0	0.0
Cash, deposits and liquid invests.	1,350.5	1,687.1	2,027.8	1,908.0	2,001.9
<b>Current assets</b>	<b>1,693.9</b>	<b>1,993.8</b>	<b>2,334.8</b>	<b>2,514.1</b>	<b>2,510.5</b>
<b>Total assets</b>	<b>14,529.8</b>	<b>16,065.3</b>	<b>17,684.1</b>	<b>19,232.4</b>	<b>20,924.6</b>
Borrowings and lease liabilities	453.7	544.7	527.8	556.5	193.2
Trade creditors	690.0	791.2	845.1	882.8	996.0
Other creditors	313.8	363.6	380.9	524.2	714.5
Accruals and deferred income	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>1,457.5</b>	<b>1,699.5</b>	<b>1,753.8</b>	<b>1,963.5</b>	<b>1,903.7</b>
Borrowings and lease liabilities	820.4	1,995.5	3,391.8	4,704.1	5,017.0
Other long term creditors	11.7	18.2	22.1	26.1	30.8
Deferred grants	6,681.7	6,695.1	6,845.1	6,864.2	8,216.2
Pension and other liabilities	960.7	769.9	948.2	606.8	1,147.5
Provisions	217.5	260.2	248.2	256.1	193.8
<b>Non-current liabilities</b>	<b>8,692.0</b>	<b>9,738.9</b>	<b>11,455.4</b>	<b>12,457.3</b>	<b>14,605.3</b>
<b>Net assets</b>	<b>4,380.3</b>	<b>4,626.9</b>	<b>4,474.9</b>	<b>4,811.6</b>	<b>4,415.6</b>
<b>Capital and reserves</b>					
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	1,907.0	1,891.5	1,900.6	1,869.7	1,654.5
Other reserves	2,473.3	2,735.4	2,574.3	2,941.9	2,761.1
Profit and loss/revenue reserves	0.0	0.0	0.0	0.0	0.0
<b>Total equity/minority interests</b>	<b>4,380.3</b>	<b>4,626.9</b>	<b>4,474.9</b>	<b>4,811.6</b>	<b>4,415.6</b>
<b>Debt schedule</b>					
<b>A. Debt structure</b>					
<b>Debt source</b>					
Bank	0.0	334.4	757.2	1,357.1	2,490.9
Non-bank	195.6	411.5	592.6	592.9	600.0
<b>Total financial debt</b>	<b>195.6</b>	<b>745.9</b>	<b>1,349.8</b>	<b>1,950.0</b>	<b>3,090.9</b>
Other Fitch classified debt (finance leases)	1,078.5	1,794.3	2,569.8	3,310.6	2,192.6
<b>Total risk before pension obligations</b>	<b>1,274.1</b>	<b>2,540.2</b>	<b>3,919.6</b>	<b>5,260.6</b>	<b>5,283.5</b>
Unfunded pension obligations	960.7	769.9	948.2	606.8	1,147.5
<b>Total risk</b>	<b>2,234.8</b>	<b>3,310.1</b>	<b>4,867.8</b>	<b>5,867.4</b>	<b>6,431.0</b>
<b>Debt maturity (including finance leases)</b>					
Less than 1 year	453.7	544.7	527.8	556.5	193.2
1 To 2 years	225.3	890.7	1,687.5	2,405.4	1,543.2
2 To 5 years	199.0	19.2	24.1	29.7	0.0
More than 5 years	396.1	1,085.6	1,680.2	2,269.0	3,547.1
<b>Total debt</b>	<b>1,274.1</b>	<b>2,540.2</b>	<b>3,919.6</b>	<b>5,260.6</b>	<b>5,283.5</b>
Cash and deposits	1,350.5	1,687.1	2,027.8	1,908.0	2,001.9
<b>Net debt/(cash)</b>	<b>-76.4</b>	<b>853.1</b>	<b>1,891.8</b>	<b>3,352.6</b>	<b>3,281.6</b>
Outstanding risk under guarantees	5,484	5,488	5,757	3,107	3,607

<sup>a</sup> Including CRL  
Source: Fitch

**Transport for London (Consolidated)**

(GBPm)	Actual			Re-stated	Actual
	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009
<b>Income statement</b>					
Revenue	2,554.5	2,737.6	2,965.6	3,278.8	3,451.5
Fares	1,949.1	2,068.0	2,269.4	2,445.8	2,577.5
Others	605.4	669.6	696.2	833.0	874.0
Operating costs	-4,425.8	-4,649.2	-4,870.5	-5,739.7	-6,070.0
Staff costs	-732.9	-790.0	-880.4	-1,005.5	-1,308.7
Other net operating expenditure	-3,479.1	-3,643.8	-3,754.3	-4,126.6	-4,101.8
Depreciation	-213.8	-215.4	-235.8	-607.6	-659.5
<b>Operating profit from operations</b>	<b>-1,871.3</b>	<b>-1,911.6</b>	<b>-1,904.9</b>	<b>-2,460.9</b>	<b>-2,618.5</b>
Transport grant and other transfers	2,159.3	2,010.5	2,036.0	2,411.4	1,306.8
<b>Operating profit after transport grant</b>	<b>288.0</b>	<b>98.9</b>	<b>131.1</b>	<b>-49.5</b>	<b>-1,311.7</b>
Other non-operating items	-239.3	-38.7	-71.1	482.5	293.4
<b>Profit pre-interest</b>	<b>48.7</b>	<b>60.2</b>	<b>60.0</b>	<b>433.0</b>	<b>-1,018.3</b>
Interest receivable	55.4	58.2	70.4	114.0	104.6
Interest expensed	-65.7	-114.2	-199.4	-289.4	-270.8
Other financing income/(expense)	-13.9	-7.9	23.9	16.6	-41.7
Net exceptional items	0.0	0.0	0.0	-258.7	1,503.2
<b>Surplus (deficit)</b>	<b>24.5</b>	<b>-3.7</b>	<b>-45.1</b>	<b>15.5</b>	<b>277.0</b>
<b>Ratio analysis</b>					
<b>Profitability (%)</b>					
Operating profit after transfers/total revenue including grants	6.11	2.08	2.62	-0.87	-27.57
Transfers and grants/total revenue including grants	45.81	42.34	40.71	42.38	27.46
Fares/total revenue including grants	41.35	43.55	45.37	42.98	54.17
Surplus (deficits) total revenue including grants	0.52	-0.08	-0.90	0.27	5.82
<b>Credit ratios</b>					
Total risk (before pension obligations)/total reserves (%)	51.02	71.54	108.78	109.33	119.66
Total risk (before pension obligations)/total assets (%)	8.77	15.81	22.16	27.35	25.25
Total risk (before pension obligations)/total revenues inc. grants (%)	27.03	53.50	78.37	92.45	111.04
Cash and liquid deposits/total assets (%)	9.29	10.50	11.47	9.92	9.57
Cash and liquid deposits/total risk (%)	106.00	66.42	51.73	36.27	37.89
Interest revenue/financial expenses (%)	84.32	50.96	35.31	39.39	38.63
Current assets/current liabilities (%)	116.22	117.32	133.13	128.04	131.87
Funds from operations/net debt (%)	-0.9	-5.9	-19.0	417.6	15.3
Net debt/EBITDA (%)	-230.2	-299.5	-184.8	7.5	-167.0
EBITDA/interest	48.7	5.6	2.8	3.2	-3.9
Gearing (%)	51.0	71.5	108.8	121.9	145.6

Source: Fitch

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