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	Stable
Long-Term Local-Currency IDR	Stable

Financial Data

Transport for London

	31 Mar 15	31 Mar 14
Operating revenues (GBPm)	5,039.2	4,789.6
Rev. from pub. sector (GBPm)	1,070.9	1,484.8
Oper. bal. after rev. from pub. sector (GBPm)	-944.8	-499.4
Total debt (GBPm)	8,514.3	7,867.3
Total assets (GBPm)	39,030.8	35,863.2
Equity and reserves (GBPm)	24,257.3	22,174.4
EBITDA/oper. rev. inc. rev. from pub. sector (%)	1.56	8.33
Long-term debt/oper. rev inc. rev from public sector (%)	126.51	114.08

Related Research

United Kingdom (June 2015)

Analysts

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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+/Stable/F1+), under Fitch Ratings' public-sector entities rating criteria, reflecting its strategic importance to London and the UK economy. This importance is underlined by the central government's strong support for TfL through multi-year funding, oversight of borrowing limits and shared priorities. Fitch believes extraordinary government support would be forthcoming if needed.

Multi-Year Public Funding: About 40% of TfL's total revenue comes from grants, some paid directly by the Department for Transport (DfT), some transferred from the DfT via the Greater London Authority (GLA) and, since April 2013, some through business rates collected and distributed by the GLA. The UK government has part-funded TfL's investment plan and pledged to support its long-term commitments. Total general and capital grants received in the year to end-March 2015 (FY15), excluding for Crossrail, were GBP2.9bn, just below GBP3.2bn in FY14.

Balanced Financial Performance: Fare revenue accounts for around 50% of TfL's total revenue. TfL has a balanced business plan, with flexibility to respond to pressures by delaying capital expenditure, reducing operating costs or increasing fares if necessary. TfL expects to deliver total savings of GBP16bn between FYE10 and FYE21, of which GBP5bn has been made to date and GBP8bn has been secured for the future. Nevertheless, TfL's standalone rating would be lower than it is currently if it were not notched down from the sovereign.

Resilient Passenger Patronage: Passenger journeys across all modes of transport increased in FY15, and forecasts suggest total rises over the years to FY21 of 8% for bus passengers and 11% for the tube. Nevertheless, bus patronage for FY16 is expected to fall slightly as a result of reduced reliability levels due to increased traffic driven by strong economic growth, a rapidly rising population, the Roads Modernisation Programme and town centre improvements.

Ambitious Capital Expenditure: Large-scale capital expenditure has led to increased debt. Direct debt is forecast to increase to GBP10.7bn by FYE18 and GBP12.3bn by FYE21, from GBP8.5bn at FYE15. Construction of the Crossrail line at sites across the city remains on schedule and within the funding envelope of GBP14.8bn, with 70% of construction now complete and tunnelling completed in June 2015. Investment in Crossrail and the tube is vital to secure future economic growth in the capital.

Strong Liquidity: At FYE15, TfL had GBP4.7bn of cash and liquid assets, including GBP2.2bn ring-fenced for Crossrail. TfL has a policy of ensuring that a minimum of GBP250m in cash is available on any business day so that it has sufficient liquidity to meet its financial obligations. TfL is a statutory corporation and is regulated for capital finance purposes. It can borrow from the Public Works Loan Board (PWLB), mitigating liquidity/refinancing risk.

Rating Sensitivities

Weaker Government Support: A downgrade could occur due to weakening support from the central government or a substantial decline in revenue without supplementary sources of revenue or funding being identified or matched by tangible support.

Debt Reduction: An upgrade could result from closer links to the central government. A significant reduction in debt could lead to a positive rating action, although this is unlikely due to TfL's large investment programme.

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
24 April 13	AA/Stable	AA/Stable
27 March 13	AA+/RWN	AA+/RWN
16 March 12	AA+/Neg	AA+/Neg
10 March 11	AA+/Stable	AA+/Stable
17 March 04	AA/Stable	AA/Stable

Related Criteria

Rating of Public-Sector Entities – Outside the United States (February 2015)

Tax-Supported Rating Criteria (August 2012)

Profile and Overview

TfL is a statutory body created in 1999; in 2000, the Greater London Authority Act transferred all responsibility for London buses and other transport to TfL from the central government. In 2003, the responsibility for London Underground Limited (LUL) was passed to TfL; since autumn 2007, TfL has taken on some overground rail services. It is also responsible for the Docklands Light Railway (DLR), river services, taxis and cycling as well as roads and bridges.

Principal Rating Factors

Summary

	Legal status	Strategic importance	Control and oversight	Integration/ financial
Rating factors	Strong	Strong	Moderate	Moderate

Source: Fitch

Legal 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.

Control and Oversight

TfL is a functional body of the GLA and reports to the mayor of London. The current mayor is the chair of the board, and other board members include senior figures from industry, finance and government. The mayor appoints the board members as well as developing and publishing a Transport Strategy reflecting national and local priorities.

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, 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. Under the agreement with the DfT, TfL's borrowing must be contained within annual limits of GBP500m-900m until FY21.

A Commissioner is appointed by the board, based on the recommendation of the chairman of TfL and the Selection Panel. The Commissioner's role is to report to the Board and lead the management team, which is accountable for the daily running of the organisation. In July 2015, Commissioner Peter Hendy left his position to move to Network Rail and was replaced by Mike Brown in September who was previously Managing Director of London Underground and London Rail. The MD of Finance left in September to move to HS2 Limited and has been replaced by Ian Nunn, the Chief Financial Officer, on an interim basis.

Integration

TfL funds itself through a mixture of central government grants and own revenue such as fares. The GLA channels the block grants, which cannot be intercepted and used for anything other than intended 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.

Sources of funding for TfL between FY16 and FY18 include GBP2.6bn in business rates retention funds, a general grant of GBP2bn and a London investment grant of GBP2.8bn, the last of which supports the delivery of TfL and government-shared priorities. An operating grant from FY17 onwards will be set in the Treasury's Autumn Statement in November, but is maintained in real terms in TfL's business plan.

About 40% of TfL's total revenue comes from central government grants. Some of this is paid directly to TfL by the DfT, some is transferred from the DfT via the GLA, and some is through business rates collected and distributed by the GLA. The GLA transport grant is regulated by a four-year spending review. The government has funded TfL's investment grant, which partly offsets the decrease in general grant funding. The government has also pledged to support TfL's long-term commitments.

Nevertheless, transport is not a protected budget; as such, cuts of 25%-40% of the operating grants of around GBP700m per year are expected in the UK government's spending review to be published on 25 November. TfL expects to compensate for the reduction in operating grants through a number of measures including efficiency savings as well as growing commercial income; the introduction of new services and the increase in passenger numbers will also help increase revenues.

Since April 2013, London's business rates have been one of the main sources of revenue for TfL. Since then, local authorities have been entitled to a share of the increase in non-domestic or business rates, which has provided an economic incentive for councils to generate higher levels of income. London councils begin with a 30% local share of business rates and keep any new growth in revenue they generate until 2020. The business rates have replaced part of the funding previously paid as a grant from the DfT. They are collected by the GLA, and the proceeds are passed on to TfL. Business rates retention income in TfL's business plan is maintained at constant levels in real terms until FY21. There is also the Community Infrastructure Levy, a London-wide levy on new developments, designed to raise funds for the infrastructure needed to develop an area.

Strategic Importance

Greater London has a population of around 8.6 million. TfL's business plan includes investment to support estimated population growth to nine million by 2018 and 10 million by the 2030s, and potential growth in employment of more than half a million by 2020. London accounts for 22% of the UK's gross value added (GVA). In FY14, London generated GBP127bn in tax revenues, representing 21% of total UK tax receipts. The number of enterprises in London was just under 11,500, 25% of the total in the UK. In 2013, it was estimated that there were 4.58 million people working in London, and this is expected to rise to 6.3 million by 2050.

Total use of public transport is increasing across all lines of transport primarily as a result of greater demand from the rising population living in the urban area and the congestion charge. The pattern of passenger growth on the tube is related to economic growth in the city, whereas bus use is linked to the growth of the population in London. TfL bases its revenue projections on growth forecasts provided by GLA Economics. In May 2015, real GVA growth for London was forecast to be 3.6% for 2015, 3.2% for 2016 and 2.5% for 2017.

About 30 million journey stages are undertaken on TfL's network every day, which is half of all bus and rail journeys in England. TfL's capital expenditure plan aims to increase capacity by 30% on the tube and by 10% on rail by end-2020. In FY15, 38% of capital expenditure was on the tube, down from 53% in FY11.

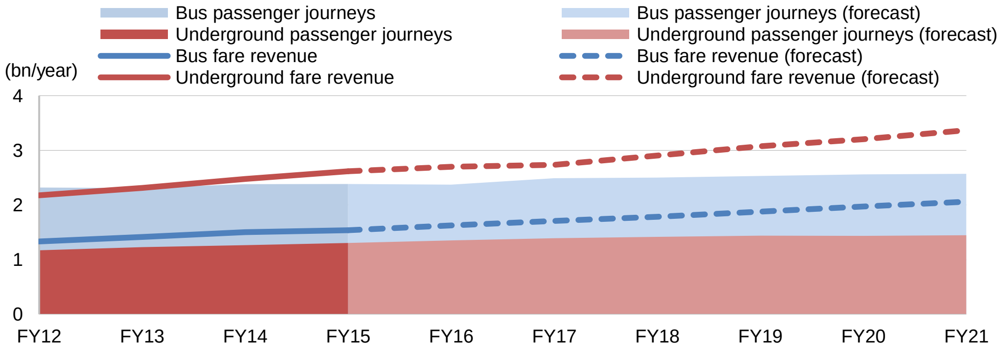
Finance and Performance

Revenue

TfL's fare structure is complex and market-oriented, with off-peak prices and family discounts. The mayor of London has sole responsibility for fares. The business plan assumes a fare increase at RPI plus 1% for future years. Fare increases for January 2016 will be in line with RPI (flat).

Figure 1

Revenues & Passenger Journeys - Bus and Underground



Source: FY16 taken from 2015/16 Q1 Operational and Financial Review. FY17-21: TfL Business Plan Dec 2014

A ticketing payment system has enabled customers to use contactless debit or credit cards on Oyster card yellow readers, offering them the same fares as Oyster cards and removing the need to queue for Oyster card top-ups. This scheme was launched on buses in December 2012 and has been extended across the rail services, including the tube, London Overground, DLR and tram services. Just under nine-and-a-half million Oyster cards are used regularly in London. By 2016, the existing Oyster card will carry many of the same features as contactless payment cards.

For FY16, the tube is expected to cover 52% of total revenue from fares. Passenger journeys are forecast to increase to 1.352bn in FY16 from 1.306bn in FY15. The tube carries 4 million people each day. There are currently a total of 11 lines, covering 402km and serving 270 stations. Tube capital spend is forecast at GBP8.2bn between FY16 and FY21.

The introduction of the night tube will lead to increased passenger journeys. 24-hour services on Fridays and Saturdays will be introduced on the Jubilee, Victoria and most of the Central, Northern and Piccadilly lines, with trains running at least every 10 minutes.

Surface Transport

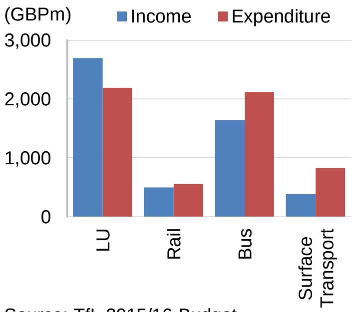
Surface transport is responsible for buses, congestion charging, traffic signalling, roads, bridges, tunnels, cycling and walking. It is forecast to deliver 37% of revenues in FY16.

Bus use in London has risen due to increased investment, as well as measures supporting public transport. However, passenger journeys on the buses are forecast to fall to 2.373bn for FY16 from 2.385bn in FY15, due to the impact of reduced bus reliability from increased traffic levels, roads modernisation and other improvement schemes. The bus is the most used public transport mode in London, responsible for half of all daily journeys and nearly half of all UK bus journeys. TfL outsources some of its operations, including bus services. Six private companies operate on 90% of bus routes, on five-year contracts.

Congestion charging was initially launched in 2003 to reduce cars entering the most congested central areas. It has been extremely successful in its primary objectives of restricting car traffic and keeping down congestion. In June 2014, the congestion charge rose to GBP11.50 a day from GBP10 a day. A further increase is planned in 2018, with the standard rate rising to GBP13. TfL manages 580km of the city's road network, which makes up 5% of London's roads; the other 95% are controlled and managed by the London boroughs.

Figure 2

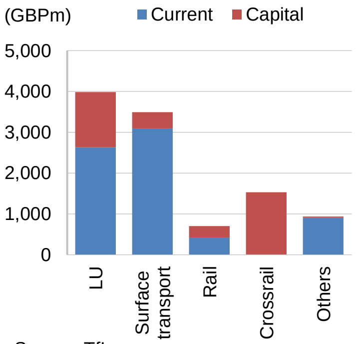
Operating Income & Expenditure Per Business Unit FY16 Budget



Source: TfL 2015/16 Budget

Figure 3

Breakdown of Expenditure FY15



Source: TfL

The number of cycling journeys in London has nearly tripled since 2001 and more than 570,000 cycle trips are made daily. It is expected that more than one million journeys will be made by 2020. In February 2015, Santander became the new sponsor of the cycle hire scheme, which now has 11,500 bikes, just under 750 docking stations and 32 service vehicles.

Rail

Rail covers the DLR, the London Overground, Tramlink and the Emirates Air Line. The Overground now serves over 80 stations, just under 60 of which are operated by London Overground. On the Overground, passenger journeys are expected to rise to 170 million in FY16. In order to boost capacity by 25%, an extra car will be added to most existing four-car trains by 2016. The DLR now has 45 stations and approximately 150 vehicles. The first phase of the project to double sections of track and increase capacity during peak times was completed in 2014 and the second will be completed in 2019, which will finish the doubling of all remaining single-track sections between Stratford and Bow Church. This project is essential to service the growth and regeneration of the area. The DLR will also benefit from additional railcars to increase capacity.

The Emirates Air Line, opened in June 2012, is a 1km cable car line that connects North Greenwich and the Royal Docks in less than 10 minutes. In its first year, it carried 2.4 million passengers across the Thames; since then, it has carried an average of 1.5 million passengers per year.

Expenditure

Service Expenditure, Staff Costs: Main Components of Operating Expenditure

TfL is one of the largest employers in London, with an average 26,745 permanent staff in FY15 (25,973 in FY14) (including fixed-term contracts). In FY15, staff costs accounted for 29% of operating costs (including depreciation). In the past, a significant part of TfL's expenditure was on public-private partnerships (PPPs) and PFIs. Since August 2010, TfL no longer has any PPPs. PFIs are contracted where TfL controls the use of infrastructure and residual interest at the end of the arrangement and which are treated as service concession arrangements.

TfL has a Savings and Efficiencies programme, and over GBP16bn of efficiencies to FYE21 have been identified, which will be invested in infrastructure as well as to help keep fares down and manage with lower government grants. To date, GBP5bn of savings have been made, GBP8bn has been secured for the future, and there is GBP3bn still to deliver. This will be achieved by reducing back-office expenditure and focusing on inefficient activity. In FY15, TfL delivered a further GBP136m, and it is on track to deliver the remainder of the programme.

Crossrail: TfL Major Capital Expenditure Project

Crossrail is TfL's most significant capital expenditure project. A high-frequency, high-capacity service will be delivered to 42 stations, nine of which will be new in central London. It will expand the city's rail network capacity by 10%, and it aims to generate over GBP40bn for the UK economy. There will be 118 km of rail that will link Reading and Heathrow in west London and Maidenhead in Berkshire to Shenfield in Essex and Abbey Wood in the south-east. An additional 1.5 million people will be within 45 minutes' commuting distance of the capital's key business districts. Part of Network Rail's existing infrastructure will be used. A total of 24 trains an hour in each direction will run in central London.

Services will begin in phases; the first new trains are planned to begin operating in 2017, and Crossrail services will start running in the central tunnel section towards the end of 2018. Crossrail has already created thousands of jobs in construction and through the wider supply chain. Crossrail is expected to be fully operational by the end of 2019, and GBP14.8bn has been set aside for funding from government grants, the private sector and Network Rail. TfL's exposure has been capped at GBP7.1bn, and there is a put option to the DfT if the costs breach a pre-determined level. TfL has taken on additional borrowing to fund part of its contribution.

Crossrail tunnelling was completed in June 2015. In February 2014, the GBP1bn rolling stock contract was awarded to Bombardier and covers the supply, delivery and maintenance of 65 new trains and a depot. In July 2014, a contract for operation of services was awarded to MTR Corporation. Since May 2015, under the name of TfL Rail, the National Rail services operating between Shenfield and Liverpool Street have been serviced by MTR, and these services will be integrated into Crossrail when operations begin in 2018. In terms of Crossrail controls, an Intervention Point (IP) mechanism identifies potential cost over-runs and delays at an early stage. These controls are tested on a semi-annual basis, and there remains a chance that some of the contingency funding, included in the total funding envelope, may be used.

Overall Performance

For FY15, TfL recorded total comprehensive income and expenditure of GBP2.1bn, a decrease of GBP1.4bn from GBP3.5bn in FY14. This was partly due to GBP0.5m less in Crossrail ring-fenced grant and primarily due to a GBP0.8bn difference yoy in the actuarial (non-cash) gains/losses on defined-benefit pension schemes.

Fares income rose in FY15, partly due to the increase of fares in line with RPI and an increase in passenger numbers. Other income rose as a result of increases in receipts from commercial advertising and congestion charging. An increase in gross expenditure is a reflection of increased activity. TfL also has a commercial development 10-year plan, which aims to raise GBP3.4bn in net income. This will mainly be from: GBP1.8bn in property development, GBP1bn of which is from the Earls Court Development; GBP1.1bn from advertising; GBP0.8bn from rental income; and GBP0.6bn from car parks and sponsorship. This will be offset by GBP0.7bn in capital costs and GBP0.2bn in revenue costs. The property development will be through joint ventures.

Figure 4

TfL Funding of Crossrail – 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 Crossrail	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: TfL

Business Plan (BP) 2014, Published in December 2014

The focus of the plan is on the ongoing renewal of assets, capacity improvements and the sustained investment in infrastructure. An operating grant has only been agreed with the government to FYE16, while capital funding has been confirmed to FYE21 (but may be challenged in the Spending Review), the period over which TfL has a capital funding envelope from the DfT. Financing of the operating and capital plans can be seen in *Appendix C*. For the operating plan, financing primarily comes from fares, business rates retention and general grants. For the capital plan, financing is from borrowing and cash movement, investment grant and Crossrail funding sources. Total operating income is projected to rise to GBP6bn in FY18 from GBP5bn in FY15. Nevertheless, TfL has flexibility to delay some capex if the increase in future fare income is lower than projected.

Debt, Liquidity and Contingent Liabilities

TfL's direct nominal debt totalled GBP8.5bn at FYE15, an increase of 8% or GBP650m from GBP7.9bn at FYE14. TfL bonds and PWLB funding together represent over 65% of total direct debt, with European Investment Bank (EIB) funding and commercial paper (CP) forming the rest. The weighted average maturity of debt at FYE15 was 21.5 years, and the weighted average interest rate was 3.81%, in line with FY14. Of TfL debt, 15% is due within five years and just over 55% is due within 20 years. A maximum of GBP772m is due in 2016 due to the CP.

In May 2014, TfL fixed the interest rates and repayment dates for a GBP500m 20-year EIB Crossrail Rolling Stock and Depot Facility split into two tranches of GBP250m. The final GBP100m instalment of a total GBP1bn EIB Crossrail facility was drawn down in April 2014. The facility was drawn down over a six-year period with repayment dates between 2024 and 2048. In June 2015, a new facility was agreed with the EIB called Urban Mobility for London, which supports a number of infrastructure projects. To date, TfL has fixed the interest rates and repayment dates on GBP350m of this facility.

At end-June 2015, GBP605m of borrowing had been raised. This comprised: GBP400m through a Green Bond issued in April for 10 years at 2.125%; GBP120m through a private placement in early April for 15 years; and GBP85m drawn under EIB in May for 10 years. Direct debt stood at GBP9.1bn at October 2015 and is expected to remain at this level by FYE16. TfL will raise external funding over the business plan period under its prudential borrowing programme. Direct debt is forecast to increase to GBP10.7bn by FYE18 and GBP12.3bn by FYE21, from GBP8.5bn at FYE15. This is in line with TfL's incremental borrowing limits, which range between GBP500m and GBP900m annually until FY21. In May, a GBP500m facility with Export Development Canada was signed to support Crossrail rolling stock and depot.

Guarantee contracts have been given to some of TfL's subsidiaries, totalling GBP0.9bn at FYE15. 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 FYE15, Transport for London Finance Limited held 18 interest rate derivative contracts with a combined notional value of GBP831m.

Strong Liquidity Position

TfL has cash and liquid deposits of GBP4.7bn at FYE15, of which GBP2.2bn was ring-fenced for Crossrail. Just over a quarter of TfL's investment is in UK Treasury bills and UK gilts. TfL also has GBP200m of undrawn overdraft facilities as well as access to traditional liquidity facilities.

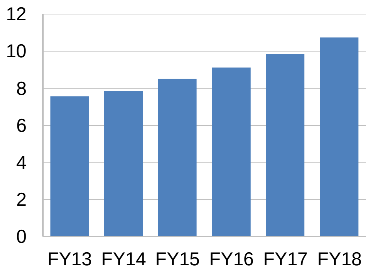
Pensions

In FY15, the fair value of the assets of the public-sector section of the TfL pension fund increased by GBP916m as the return on assets was higher than expected. As a result, the deficit of pension scheme assets over future liabilities for the TfL pension fund increased by a net GBP409m. Most of TfL's employees are covered by a defined-benefit scheme managed by one of its wholly owned subsidiaries. The last triennial valuation from March 2012 showed a GBP699m deficit. Unfunded pension liabilities (GBP2.9bn for FY15) have not been included in the total risk figure, as this is the accounting figure and not what TfL is required to fund.

Figure 5

Actual and Projected Debt

(GBPbn)

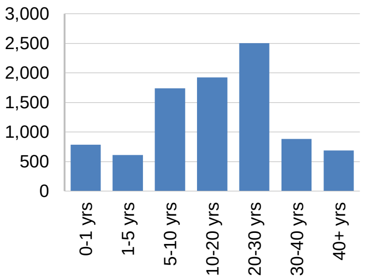


FY16-FY18: Business plan
Source: TfL

Figure 6

Debt Maturity Profile 20 Oct 2015

(GBPm)



Source: TfL

Figure 7

TfL Borrowing

(GBPm)	FY15	(%)	FY14	(%)
TfL bonds	3,100	33	2,600	30
PWLB	2,725	29	2,725	31
EIB	1,962	21	1,884	22
CP	760	8	688	8
Total direct debt[a]	**8,548**	**92**	**7,898**	**91**
Finance leases	746	8	822	9
Total direct debt & finance leases	**9,294**		**8,720**	

[a]Note: Shows undiscounted remaining cash flows relating to debt

Source: TfL

Appendix A

Figure 8

Transport for London

(GBPm)	31 Mar 11	31 Mar 12	31 Mar 13	31 Mar 14	31 Mar 15
Income statement					
Operating revenues	3,884.2	4,180.9	4,495.5	4,789.6	5,039.2
Staff expenses	-1,455.7	-1,514.6	-1,626.3	-1,785.6	-1,850.9
Depreciation	-892.3	-948.0	-1,002.1	-1,022.1	-1,039.9
Other operating revenues and expenditure	-3,718.7	-3,767.8	-3,861.6	-3,966.1	-4,164.1
Operating balance before grants and subsidies	-2,182.5	-2,049.5	-1,994.5	-1,984.2	-2,015.7
Revenue from public sector	1,282.3	1,707.8	2,178.6	1,484.8	1,070.9
Operating balance after revenue from public sector	-900.2	-341.7	184.1	-499.4	-944.8
Interest revenue	9.4	13.4	18.3	21.2	26.2
Interest expenditure	-395.5	-352.4	-351.9	-377.7	-408.2
Operating balance after financing	-1,286.3	-680.7	-149.5	-855.9	-1,326.8
Surplus on disposal of fixed assets	-321.8	2.5	-121.8	-121.9	-19.5
Non-operating revenue and expenditure	4,023.9	2,081.0	2,799.7	4,477.5	3,429.2
Profit (loss) before taxation	2,415.8	1,402.8	2,528.4	3,499.7	2,082.9
Taxation	1.3	1.5	0.2	-0.1	0.0
Profit (loss) after tax	2,417.1	1,404.3	2,528.6	3,499.6	2,082.9
Minority interests	-	-	-	-	-
Profit or loss for the financial year	2,417.1	1,404.3	2,528.6	3,499.6	2,082.9
Balance sheet					
Assets					
Tangible assets	23,404.7	25,106.0	27,091.1	29,269.4	31,862.2
Intangible assets	139.6	114.0	103.6	122.6	123.8
Other long-term assets	301.2	472.1	705.2	1,082.7	1,306.1
Long-term investments	4.9	0.0	209.2	203.4	10.1
Stock	35.6	37.6	42.0	47.7	53.9
Trade debtors	95.9	155.0	137.7	184.2	130.0
Other current assets	519.0	369.1	347.1	384.1	876.9
Cash and liquid investments	2,066.8	2,661.7	3,684.2	4,569.1	4,667.8
Total assets	26,567.7	28,915.5	32,320.1	35,863.2	39,030.8
Liabilities and equity					
Long-term liabilities	221.8	260.0	255.7	295.5	291.2
Pension	1,620.1	2,292.7	2,813.2	2,482.2	2,894.7
Long-term debt (incl. long term finance leases)	7,242.3	5,903.2	7,215.0	7,904.1	8,389.4
Trade creditors	219.0	187.5	150.6	158.1	135.0
Other short-term liabilities	1,991.9	1,911.4	2,003.5	2,063.9	2,192.3
Short-term debt (incl. short term finance leases)	563.4	2,247.2	1,207.3	785.0	870.9
Equity	0.0	0.0	0.0	0.0	0.0
Reserves	14,709.2	16,113.5	18,674.8	22,174.4	24,257.3
Minority interests	-	-	-	-	-
Liabilities and equity	26,567.7	28,915.5	32,320.1	35,863.2	39,030.8
Debt statement					
Short-term debt	494.9	2,177.5	1,139.6	709.2	784.3
Long-term debt	5,855.8	4,954.3	6,425.0	7,158.1	7,730.0
Total debt[a]	6,350.7	7,131.8	7,564.6	7,867.3	8,514.3
Other Fitch classified debt	1,419.0	1,027.5	890.7	821.8	746.0
Total risk	7,769.7	8,159.3	8,455.3	8,689.1	9,260.3
Cash, liquid deposits and sinking fund	2,066.8	2,661.7	3,684.2	4,569.1	4,667.8
Net risk	5,702.9	5,497.6	4,771.1	4,120.0	4,592.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0
Net overall risk	5,702.9	5,497.6	4,771.1	4,120.0	4,592.5
% Debt in foreign currency	-	-	-	-	-
% Issued debt	9.4	13.6	26.0	33.0	36.4
% Debt and fixed interest rate	93.0	74.0	90.0	98.0	99.6

[a] Difference with total direct debt figures in Figure 7 due to fees paid in relation to debt issue and fair value discounts recorded on the issue of debt.
Source: TfL and Fitch calculations

Appendix B

Figure 9

Transport for London

(GBPm)	31 Mar 11	31 Mar 12	31 Mar 13	31 Mar 14	31 Mar 15
Cash flow statement					
Funds from operations	1,764.7	2,276.0	3,067.5	2,936.5	2,303.5
Other cash flow movements	-1,583.4	-1,632.7	-1,916.7	-2,406.5	-2,193.7
Changes in working capital	-176.7	-215.2	10.7	60.9	-23.4
Cash flow before net capital expenditure	4.6	428.1	1,161.5	590.9	86.4
Net capital expenditure	47.9	-181.0	-1,008.5	-401.8	-353.1
Cash flow before financing	52.5	247.1	153.0	189.1	-266.7
New borrowing	651.2	1,921.8	428.5	435.1	668.1
Other cash financing	-525.3	-661.1	-538.6	-481.2	-396.2
Debt repayment	-161.2	-1,483.1	-21.3	-107.1	-22.1
Cash flow after financing	17.2	24.7	21.6	35.9	-16.9
Ratio analysis					
Profitability ratios					
Personnel costs/oper. rev including revenue from public sector (%)	28.18	25.72	24.37	28.46	30.29
Revenue from the public sector/oper. rev including revenue from public sector	90.4	81.9	81.9	84.7	74.6
EBITDA/oper. rev including revenue from public sector (%)	4.55	12.1	17.77	8.33	1.56
Balance sheet ratios					
Current assets/total assets (%)	10.23	11.15	13.03	14.46	14.68
Current assets/total liabilities (%)	22.91	25.18	30.86	37.88	38.78
Return on equity (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Return on assets (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Debt ratios					
Net debt/EBITDA (x)	18.2	6.3	3.3	6.3	40.4
Long-term debt/oper. rev including revenue from public sector (%)	113.34	84.13	96.27	114.08	126.51
Total debt/EBITDA (x)	27.0	10.0	6.4	15.0	89.5
Debt/reserves (%)	43.18	44.26	40.51	35.48	35.1
EBITDA/gross interest expenditure (x)	0.6	2.0	3.4	1.4	0.2
Debt servicing/operating balance before revenue from public sector (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Debt servicing/operating balance after revenue from public sector (%)	n.m.	n.m.	n.m.	n.m.	n.m.

n.m.: Not meaningful
Source: TfL and Fitch calculations

Appendix C

Figure 10

TfL Funding, Income, Operating and Capital Expenditure Plan

(GBPm)	2015/16	2016/17	2017/18	Total 2015/16-2017/18
TfL operating plan				
Fares income	4,667	4,972	5,268	14,907
Other operating income	631	692	738	2,061
Total operating income	**5,298**	**5,664**	**6,006**	**16,968**
Operating expenditure (net of third-party contributions)	**-6,667**	**-6,777**	**-6,872**	**-20,316**
Operating margin	**-1,369**	**-1,113**	**-866**	**-3,348**
Interest income	33	61	57	151
Debt service	-415	-464	-534	-1,413
Group items	38	-24	-57	-43
Margin	**-1,713**	**-1,540**	**-1,400**	**-4,653**
Financed by				0
General grant	675	687	699	2,061
Overground grant	29	30	31	90
GLA precept	6	6	6	18
Business rates retention	851	881	911	2,643
Total revenue grants	**1,561**	**1,604**	**1,647**	**4,812**
Surplus to fund capital plan	**-152**	**64**	**247**	**159**
TfL capital plan GBP				
Capital expenditure	-2,223	-2,229	-2,601	-7,053
Third party contributions - capital	54	48	50	152
Capital expenditure (net of third party contributions)	-2,169	-2,181	-2,551	-6,901
Sales of property and other assets	16	115	223	354
Net capital expenditure (core TfL)	**-2,153**	**-2,066**	**-2,328**	**-6,547**
Crossrail	-1,615	-1,208	-685	-3,508
Total capital expenditure	**-3,768**	**-3,274**	**-3,013**	**-10,055**
Financed by				
Operating surplus/(deficit) from above	-151	63	248	160
Investment grant	925	941	957	2,823
Other capital grants	141	290	262	693
Crossrail funding sources	893	104	109	1,106
Working capital	-370	1,043	62	735
Borrowing and cash movement	2,330	832	1,375	4,537
Total	**3,768**	**3,273**	**3,013**	**10,054**

Source: TfL and Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.