Analysis

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Transport for London

Issuer Summary

TfL's Aa1 rating with stable outlook takes into account the following inputs:

- Baseline Credit Assessment or BCA of 4, on a scale of 1- 6, where 1 represents the lowest level of credit risk (based on Moody's government-related issuers methodology).
- High support.
- High dependence.
- Aaa Sovereign rating of the United Kingdom Government.

The BCA of 4 can be attributed to two key institutional factors. Firstly; in common with many urban public transport systems, TfL faces numerous challenges regarding the setting of fares, financing of operating and capital expenditures, and can justifiably be deemed to rely heavily on government transfers in order to survive. Secondly; TfL's significant level of contingent liabilities in relation to bonds issued as part of the financing of the Tube Lines public and private partnership (PPP) and the two Metronet PPP deals comprising SSL and BCV. In the event of project default, TfL could be liable to pay up to GBP4.75 billion (95% of the PPP deal obligor's issued debt) as a result of a put option arrangement which permits bondholders, following a 90-day standstill period, to accelerate payment of the aforementioned debt. It is plain that TfL, whilst holding significant liquidity in the form of reserves, would not be able to meet this requirement without financial assistance from the UK government and, as such, it has been provided with a letter of comfort, affirming the UK government's support for TfL should it find itself liable under the put option arrangements.

High support codifies the importance that has been attached to transport infrastructure improvement by the UK government in recent years and, given London's successful Olympic bid, TfL is seen as a key player in the government's medium-term strategic plans. Moreover, as London is the wealthiest and most productive (in terms of gross value added) part of the UK, maintaining TfL as a going concern is seen as a matter of national importance.

High dependence reflects TfL's necessary reliance upon UK government funding and its lack of economic viability as a standalone entity.

London Underground (Tube) Network

The underground railway (tube) network in London, the largest in Europe, dates from the late 19th century and is composed of 12 inter-connecting tube lines, which criss-cross the English capital. Development of the sub-surface and overland lines accelerated in the early 20th century, mirroring London's economic development and rise to prominence as a world trade hub and major financial centre, whilst recent extensions and construction of new lines (such as the Docklands Light Railway) in the past twenty years have significantly grown the network. Due, in part, to the age of the network and also to an increasing number of passengers, towards the end of the 1990s, there was a steady decline in the standard and reliability of the infrastructure and associated assets which were resulting in capacity constraints within the network. Speed restrictions were commonplace with mandatory maintenance work severely disrupting services. Nonetheless, given that the vast majority of journeys occur during peak hours and the relative inelasticity of these trips; job and population growth has sustained an expanding demand for the Tube.

Historically, as the network has expanded, demand for new services has peaked almost immediately. A good example of this is the Jubilee Line Extension which stretched the network eastwards to the Docklands business district, enabling improved access for more passengers. Instead of seeing a proportionate decrease in passengers on other lines to compensate for the increased number using the new facilities, overall demand simply rose further.

Transport for London

TfL was established in July 2000 as an executive body of the Greater London Authority (GLA) with the remit to create an integrated transport policy for London whilst overseeing and improving transport networks in London. TfL is in charge of the tube, buses, river services, roads, certain railway stations as well as bridge and road maintenance, and the London Transport Museum. TfL is chaired by the Mayor of London, Ken Livingstone, who also appoints the board of TfL.

TfL's legal status is that of a local authority, which ensures that TfL is bound by the CIPFA code and government-approved borrowing limits as well as being legally obligated to set a balanced budget on an annual basis. Additionally, it must undergo annual external audits and implement 'best value' procedures. Furthermore, the local authority structure imposes statutory obligations upon officers and permits government intervention in cases of mismanagement or financial failure.

TfL is an independent body which is a key component of the government's national transport policy, albeit under the auspices and scrutiny of the GLA. TfL is the sole or majority shareholder in eight subsidiary companies: Transport Trading Limited (TTL) (which is the holding company for all other subsidiary companies), London Underground Ltd., Docklands Light Railway Ltd., London Bus Services Ltd., Victoria Coach Station Ltd., London River Services Ltd., London Regional Transport Pension Fund Trustee Co. Ltd. and London Transport Insurance (Guernsey) Ltd. As the controlling party within the group, TfL has a statutory obligation to ensure that none of its subsidiaries act in a way that could be deemed *ultra vires* and exercises appropriate controls to prevent any of them exceeding its specific remit.

Since its inception in July 2000, TfL has benefited from a stable and experienced management team that has drawn upon expertise in the fields of transport administration, public policy, risk management and corporate finance. Affirmation of TfL's superior management ability has come in the form of the Audit Commission's 2005 report, which described TfL as 'a highly capable and well-managed organisation'. As part of the report, TfL was awarded a rating of 'Excellent' by the Commission; which is the highest level and places TfL on a par with Cornwall County Council (rated Aaa). The previous Transport Commissioner's departure from the organisation in January 2006 is not seen as detrimental because he will be retained in a consultancy role and Mr Peter Hendy, who was previously Managing Director of Surface Transport, has been appointed to the role. Moody's views this internal progression as both organic and expected, given the expertise which exists within the organisation.

Relationship between TfL and GLA

TfL was established by the same legislation that created GLA, namely the GLA Act of 1999, and on 15 July 2003 it took over responsibility for London Underground Ltd. GLA's legal status is also that of a local authority and has been functioning since May 2000 when the Mayor and the assembly were elected for the first time. GLA was established to promote economic development, social development, wealth creation and improvement of the environment in London. GLA is an elected regional government body and it is responsible for four functional bodies:

- TfL
- Metropolitan Police Authority (MPA)
- London Fire and Emergency Planning Authority (LFEPA)
- London Development Agency (LDA)

These four bodies have operational autonomy and responsibility for their own budgets and business plans; however, the Mayor sets budgets for the organisations and, after consultation, creates their overall strategic aims. The Mayor also makes appointments to LDA's and TfL's boards, and directs their activities.

The London Assembly (25 elected persons) has a statutory duty to hold the Mayor accountable and scrutinise his actions and decisions, consider budgets (which it can amend with a two-thirds majority), and investigate matters important to London. It is also possible for GLA to move money between the four functional bodies; however, GLA may not legally retain any of the transport grant earmarked for TfL and simply acts as a funding conduit for TfL in this respect.

Business Profile and Operations

Dominant provider of public transport in an expanding European capital city…

TfL enjoys a near monopoly on public transport provision in London, via ownership and control of the London Underground (tube) network and control of the Greater London bus network. The significance of this goes beyond obvious demand profile characteristics when one considers that London is one of a limited number of European capital cities that is enjoying a sustained period of demographic growth. TfL predicts that an additional 800,000 to 1 million inhabitants will swell London to a city with a population in excess of 8.3 million by 2026. London's role as the financial capital of Europe proves a major employment draw, and City workers commute from all over the country, with the vast majority using public transport for all or some of their journey.

…With a proven track record and some major achievements to is name, which has achieved significant efficiency savings in recent years

In spite of its youthful status, over the past five years TfL has demonstrated a proven track record of delivery against its business plan and has enjoyed several notable successes; principally the initial implementation of the Congestion Charge and its recently approved westward expansion together with the increase in the charge from GBP5 to GBP8. TfL's other achievements include recognised improvements to bus services, the Docklands Light Railway extension to London City Airport and the addition of a seventh carriage to all Jubilee Line trains in late 2005. Additionally, in 2005, TfL recorded impressive efficiency savings amounting to GBP119 million (2004: GBP42 million) following the incorporation of a common IT system across the group, the introduction of the 'Oyster' smart card system of ticketing and the early introduction of a new procurement policy. The amalgamation of Human Resources departments across the group in 2005 delivered an immediate efficiency saving of GBP1.9 million and this move is forecast to bring about an additional annual saving of GBP8.1 million.

TfL is in sole control of the Greater London bus network

Since deregulation of the UK's public transport network began in the late 1980s, private companies have been running the vast majority of bus services in the nation's major metropolitan areas. In this respect, London is no exception and an array of private companies tender for five-year rolling block contracts which pertain to routes and levels of frequency ascribed by TfL. Private sector operators are paid a fixed priced by TfL for a fixed level of service provision and, as such, TfL bears none of the operating risk of bus service provision. One of the services provided by the private sector operators is revenue collection; however, with the introduction of the 'Oyster' Card, it is intended that, within five years, TfL will automatically collect all fare revenue derived from bus transport as the entire network moves towards cashless operation.

Patronage of the Greater London bus network has increased during TfL's stewardship of transport operation in and around the capital and grew by over 5% in 2005 in spite of an approximate increase of 13% in the price of single tickets. Over the life of the current business plan, which extends up to 2010, TfL plans to grow the network's capacity as well as increase the frequency of services. Additionally, TfL is investing heavily to replace its current real-time bus information with a more accurate system and farther reaching network.

Since July 2003, TfL has enjoyed ownership and control of the tube…

On 15 July 2003, TfL took over responsibility for London Underground Ltd., which was incorporated as a wholly owned subsidiary company. It is estimated that the tube accounts for over 3 million passenger journeys every working day in London. However, TfL does not operate in parts of Greater London south of the river Thames because, at the turn of the 19th century, it was found that the softer, clay-based soil was unsuitable for sub-surface trains. Overland services were instead developed in and around London's Southern suburbs and only 30 tube stations now exist south of the river Thames. Crucially for TfL, following the tragic bomb attacks on London Underground in July 2005, no major damage was caused to network infrastructure and patronage soon returned to previous levels; merely emphasising TfL's dominant market position.

…But also acquired significant contingent liabilities as a result of the transfer

TfL is subject to a significant level of contingent liabilities in relation to bonds issued as part of the financing of the Tube Lines PPP and the two Metronet (SSL and BCV)[1] PPP deals. In the event of project default, TfL could be liable to pay up to GBP4.75 billion (95% of the PPP deal obligor's issued debt) as a result of a put option arrangement which permits bondholders, following a 90-day standstill period, to accelerate payment of the aforementioned debt. It is plain

1. *SSL is responsible for the Metropolitan, District, Circle, Hammersmith & City and East London tube lines which are collectively known as the sub-surface lines. BCV is responsible for the Bakerloo, Central, Victoria and Waterloo & City lines, which are the 'deep tube' lines running under the streets of London.*

that TfL, whilst holding significant liquidity in the form of reserves, would not be able to meet this requirement without financial assistance from the UK government and, as such, it has been provided with a letter of comfort, affirming the UK government's support for TfL should it find itself liable under the put option arrangements. The aforementioned contingent liabilities represent key factors in the BCA of 4 and the classification of support as 'high'.

Finances

Funding Arrangements – Changes to the previous transfer regime

In 2004, TfL moved from a firm two-year unfunded business plan to a five-year fully funded business plan. Prior to the changes in 2004; in each biannual spending review the government would outline its general spending plans, including transfers to be made to TfL. A typical spending review would then identify funding for both years, and such funding would then be subject to annual parliamentary appropriation. In addition, the government would make a commitment to TfL as regards funding levels one year beyond the spending review. This commitment was usually a minimum and TfL could generally count on receiving the indicated amount.

As a result of the changes in 2004, the situation has improved greatly. Rather than receiving a one-year post-spending review reliable commitment, TfL now receives a firm three-year, post-spending review commitment. This represents a unique settlement among UK local authorities and provides both greater clarity in terms of strategic planning and a more robust, almost corporate, approach to the way TfL conducts its budgeting process. The changes are depicted in the table below.

	Previous Regime	New Regime
Spending Review Funding	Two years budgeted, subject to appropriation	Two years budgeted, subject to appropriation
Post-Spending Review Funding	One-year reliable commitment, subject to budgeting in next spending review and annual appropriation thereafter.	Three-year firm commitment.

Funding Arrangements – Changes to the previous borrowing regime

The prudential borrowing capacity enacted as a result of the Local Government Act (LGA) of 2003 has enabled TfL to borrow for capital purposes up to a level set by the mayor and, ultimately, approved by Central Government. No local authority may borrow to fund an operating deficit and TfL's annual limit is set in relation to the investment plans outlined in the current business plan. In sum, TfL is now in a better position to fund its capital plan.

Funding Arrangements – Combined impact of changes

Transfer funding commitments are larger and more stable and, more importantly, prudential borrowing can now be used by TfL to eliminate post-transfer funding gaps that were previously filled by greater transfers achieved through more intense lobbying or reduced through service cutbacks.

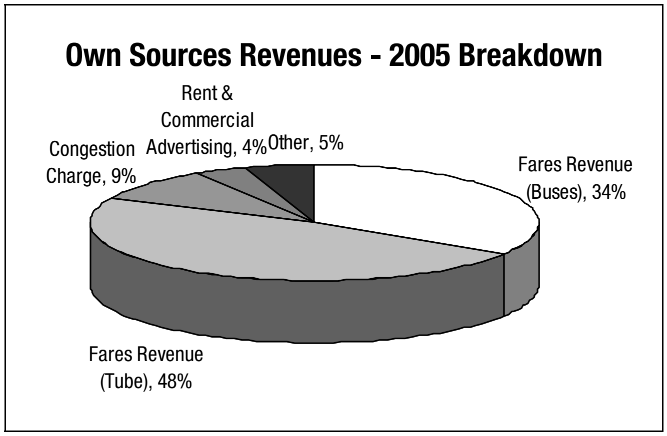
Revenue

The most obvious characteristic of TfL's revenue profile is its lack of economic viability as a standalone entity. In common with many urban public transport systems, TfL faces numerous challenges regarding the setting of fares, financing of operating and capital expenditures, and can justifiably be deemed to rely heavily on government transfers in order to survive. TfL's financial performance reflects this fact; although overall surpluses as percentage of total revenues, whilst small, are very much in keeping with the rest of the UK local authority sector.

Transport grants have comprised, on average, 41.46% of TfL's total revenues over the past four full accounting years (2001/2002 – 2004/2005). Own source revenues in excess of GBP2.55 billion in 2005 provided almost 48% of TfL's total revenues, whilst this component has, on average, comprised 41.64% of TfL's total revenues over the aforementioned period. The remaining amount of TfL's total revenue comes in the form of interest and investment income, proceeds from asset sales, transfers from reserves, other government grants and GLA precept; which is a London-wide tax levied by GLA that is ring-fenced for the improvement of transport infrastructure and transferred to TfL. The largest 'other' item is transfers from reserves; however, this is more an operational facet of the way that TfL manages its cash flow in response to variations in own source revenues and the payment of transport grant.

As can be seen from the chart[2] below, own source revenues comprise primarily fare revenues deriving from the tube and surface transport services.

2. *Source: TfL 2004/2005 Annual Report.*



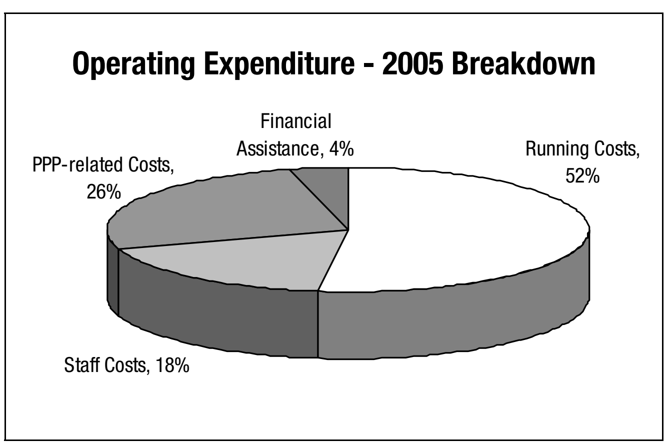
Combined, these two components accounted for 82% of own source revenues in 2005. Fuelled by aforementioned continued growth in demand for services and the relatively price inelastic characteristics of TfL's product, the upshot of price hikes of approximately 4% for travelcards (the most commonly purchased type of tube ticket after single-journey tickets) and 13% for bus travel, resulted in growth of 7% and 13% in 2005 fare revenues from the tube and buses, respectively.

One of the most contentious, yet most successful, of TfL's own-source revenues is the Congestion Charge, which was introduced in February 2003 (at a daily rate of GBP5) and applies to all private cars entering a specified charging zone within central London. Whilst a relatively costly system to administer, during its first year of operation the Congestion Charge contributed net income of GBP45.3 million. TfL succeeded in reducing administration costs in 2005 and enjoyed almost 17% growth in Congestion Charge revenues. When combined, these helped to provide net income of GBP96.4 million. In July 2005, the daily charge was increased to GBP8; the result of which is expected to positively impact upon 2006 net income. Additionally, in the future, the charging zone is to be extended westwards. Whilst this will once more grow charge revenues, the costs of the expanded zone are roughly expected to offset these gains.

The Congestion Charge is widely seen as a model way of reducing traffic flows within the central zone of London whilst garnering ring-fenced revenues to be spent of transport infrastructure and, as such, has been studied by a number of other British and European cities; most notably Stockholm where a trial period began in early 2006.

Expenditure

In keeping with other public transport authorities, TfL is expenditure-intensive with approximately GBP5.4 billion being spent by the organisation in 2005. Approximately four-fifths of this total expenditure related to operating costs, and included running and staff costs for the tube and surface transport services as well as maintenance and leasing costs under the PPP arrangements, whilst the remaining one-fifth is of a capital nature. Operating expenditure is broken down according to the chart[3] below.



3. *Source: TfL 2004/05 Annual Report.*

In 2005, of the GBP4.19 billion of operating expenditure spent by TfL, approximately 46.5% and 48.9% was directed towards the tube and surface transport services, respectively. The nominal amount spent on the tube was GBP1.95 billion, which represented only minimal growth from the 2004 figure of GBP1.92BN; whereas, in nominal terms, surface transport services accounted for GBP2.05 billion which represented over 13% growth on the 2004 figure and, primarily, reflected the expense associated with the steps to taken by TfL to improve the Greater London bus network.

The vast majority (approximately 80%) of TfL's total capital spend in 2005 primarily directed towards planned capital projects on the tube carried out by the three infrastructure companies (infracos) as part of the infrastructure investment and renewal schedule built in to the various PPP contracts.

2006/2007 to 2009/2010 Business Plan

Following the five-year settlement agreed with UK government in 2004, TfL developed and published a five-year Business Plan and Investment Programme which detailed both operating and capital projects intended to be executed by 2009/10. In July 2005, the International Olympic Committee awarded London the right to host the 2012 Olympic Games and this has both acted as a fillip to TfL's overall mission and catalysed a sense of urgency for the overhaul of London's antiquated public transport infrastructure.

As can be seen from the table below, the business plan provides a balanced five-year programme of investment, based upon the approximately GBP12.5 billion level of transport grant committed under the five-year settlement and the scheduled payments under the PPP for which TfL will be liable over the next five years; although there remains a risk that significant underperformance or cost overruns by any of the infracos could result in TfL's contractual payments being increased in order to ensure the planned improvements are carried out in full and according to the planned timetable of delivery.

Five-Yr. Balanced Plan Projections
(from 2006/2007 - 2009/2010 Business Plan in nominal GBP million)

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Fares and Congestion Charge Revenues	2,499	2,617	2,889	3,043	3,172	14,220
Other Income	251	276	304	318	334	1,483
Investment Income	55	53	47	44	38	237
Own Source Revenues	2,806	2,946	3,240	3,405	3,544	15,941
Operating Costs (net of PFI/PPP and support payments)	-3,537	-3,757	-4,054	-4,248	-4,504	-20,100
NET OPERATING EXPENDITURE	**-731**	**-812**	**-814**	**-843**	**-960**	**-4,160**
Capital Element of PFI/PPP's	-1,379	-1,437	-1,332	-1,294	-1,368	-6,810
Capital Projects	-815	-895	-1,149	-1,332	-1,034	-5,225
Third-Party Funding	169	234	194	132	123	852
Debt Service (including principal repayments)	-24	-85	-132	-187	-239	-667
Contingency Funds	0	-26	-27	-28	-28	-109
NET EXPENDITURE	**-2,779**	**-3,021**	**-3,261**	**-3,552**	**-3,506**	**-16,119**
Adjustments for Working Capital	-82	-38	-55	-9	-25	-209
Adjustments for Transfers in Reserves	130	52	144	123	197	646
FUNDING REQUIRED	**-2,731**	**-3,008**	**-3,171**	**-3,438**	**-3,334**	**-15,682**
Funded by:						0
Transport Grant	2,161	2,383	2,549	2,665	2,709	12,467
GLA Precept	20	21	22	23	25	111
Prudential Borrowing	550	604	600	750	600	3,104
TOTAL FUNDING	**2,731**	**3,008**	**3,171**	**3,438**	**3,334**	**15,682**
SURPLUS / DEFICIT FOR THE YEAR	**0**	**0**	**0**	**0**	**0**	**0**

Further to the relatively more visible transfers TfL will make to the infracos over the next five years, the organisation is due to execute approximately GBP5.5 billion of capital projects directly. The largest project within its remit is the extension of the East London Line (ELL) which is costed at approximately GBP900 million and will expand TfL's presence and catchment area in both the East and the South-East of the capital and is planned to be relatively straightforward due to the project's use of existing track and the absence of new tunnelling required. None of TfL's other directly funded projects is of the same magnitude as the ELL extension and, in this respect, it is within the broader programme that the flexibility lies to cut back on investment spending should there be a need to divert funding elsewhere.

Within its Business Plan, TfL faces direct costs amounting to approximately GBP2.2 billion in Olympics-related investment. This includes capital amounts in the aforementioned GBP5.5 billion and, as such, can be seen as fully incorporated into the existing business plan along with corresponding increases in TfL resources and government funding in order to ensure funding shortfalls do not inhibit timely delivery. Moreover, TfL has offered a guarantee to deliver the Olympic transport plan, including key projects, within the agreed timeframe ahead of 2012. Given the visibility and importance of this work, it is likely that TfL will be judged on its ability to deliver on its Olympic commitments. Moody's notes that TfL now has established a track record of delivering against its business plan, having achieved success with several complex logistical projects of both an operating and capital nature. Moreover, TfL's management team has extensive experience and can draw on expertise in the fields of transport administration, public policy, risk management and corporate finance and, as such, appear capable of meeting these challenges.

Funding the Business Plan – the Mtn Programme

The prudential borrowing capacity enacted as a result of the LGA of 2003 has enabled TfL to borrow for capital purposes up to a level agreed with GLA and, ultimately, approved by Central Government. Following supplementary legislation in 2004, TfL was granted the ability to borrow on a 'prudential' basis and, as such, is bound by the same rules as UK local authorities, namely the CIPFA prudential code, in order to ascertain whether a level of borrowing is indeed sustainable, affordable and prudent. Under the CIPFA code, all borrowings can be made only for capital investment purposes; and this is aligned with TfL's overall borrowing strategy which is to develop an efficient means of funding a long-term investment programme. It is TfL's intention to raise debt from a variety of different maturities in order to closely match the repayment of its liabilities with asset lives.

TfL's borrowing vehicle is a GBP3.3 billion MTN programme, the first issue was sized at GBP196 million and was issued over a 30-year term (amortising over its final five years) in December 2004. The sale of GBP196 million worth of bonds under the MTN was significantly less than GBP400 million of debt authorised for the year, due to outperformance of its operating plan and some project delays. TfL was therefore able to transfer more funds into reserves and thus scaled down its immediate borrowing requirements. As can be seen from the projections under the balanced plan, TfL has simply re-profiled the unused borrowing capacity across the five-year horizon and still plans to borrow up to the maximum GBP3.3 billion throughout the life of the business plan, with the next drawdown in 2006 totalling GBP550 million. Moody's has examined the documentation pertaining to the MTN programme and is satisfied that the pledge and cross-default clause on the obligations relate solely to TfL and its subsidiaries and are accordance with securities law. As such, TfL's MTN programme has been rated at Aa1.

Significantly, all debt issued by TfL is covered under Section 13 (3) of the LGA of 2003, which stipulates that all debt issued by UK local authorities must rank *pari passu* with all other existing obligations.

Debt Management Strategy and Treasury Operations

In managing its liabilities, TfL has reserved to protect against unforeseen operating or capital requirements by maintaining substantial cash balances. These balances comprises a TfL general fund reserve, a similar general fund reserve for London Underground which relates to PPP expenditure, a fund reserve for creditors and a planned funding reserve. The first three are projected to be maintained over the Business Plan period; the planned funding reserve will be drawn down to meet capital expenditures in the plan.

In terms of liquidity, TfL's reserves provide a sizeable cushion against unforeseen expenses in the event of a potential liquidity crisis. Moreover, whilst a number of TfL's reserves are programmatically 'earmarked' as opposed to undesignated amounts, like the TfL general fund, nothing prevents TfL from diverting some or all of its reserves to a particular expenditure item. When compared to TfL's issued debt under the MTN programme to date, 'free' reserves (TfL general fund and earmarked reserves) offer 5.74 times coverage and, in terms of interest payable, coverage extends to almost 274 times. Of greater credit relevance is the potential interest coverage offered when TfL reaches its business plan peak debt year in 2010. Assuming the 2005 free reserves figure does not grow, coverage of the GBP239 million of debt service (which will also include some principal repayment) forecast in the 2006/2007 – 2009/2010 balanced plan projections amounts to 4.70 times and represents a highly secure level.

In order to protect these reserves, TfL utilises a treasury system that includes prudent Board-level approved policies geared towards liquidity preservation. These include the current requirement for all investments to have a maturity of less than one year, be denominated in sterling and be held in the form of UK government instruments or highly rated securities. Additionally, TfL is banned from providing corporate loans or investing in equity.

Related Research

Pre-Sale Report

Metronet Rail BCV Finance Plc., March 2003 (77568)

Metronet Rail SSL Finance Plc., March 2003 (77494)

Credit Opinion

Metronet Rail BCV Finance Plc. (March 2005)

Metronet Rail SSL Finance Plc. (March 2005)

Rating Action

Tube Lines Limited (January 2003)

Analysis

United Kingdom, January 2006 (96091)

Cornwall County Council, January 2006 (96373)

Regie Autonome des Transports Parisiens, February 2005 (91663)

MTR Corporation Limited, June 2004 (87628)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Transport for London - Group Revenue Account

	2001/02 Realised GBP M	2002/03 Realised GBP M	2003/04 Realised GBP M	2004/2005 Realised GBP M
Highways, Road and Transport Services				
Expenditure	1,072.2	3,178.1	3,937.2	4,189.9
Depreciation net of Release of Deferred Grants	104.2	241.6	198.4	213.8
Capital Financing Charges	122.6	126.8	--	--
Own Source Revenues	518.4	1,941.0	2,320.8	2,554.5
Net Cost of Services	-780.6	-1,605.5	-1,814.7	-1,849.2
Losses of JVCO before Grant	3.0	12.6	15.6	22.1
Finance Lease Charges	22.1	23.3	33.6	61.6
Pensions Interest Cost	--	--	20.5	13.9
Depreciation net of Release of Deferred Grants - Reversal	94.7	125.8	0.0	0.0
Capital Financing Charges - Reversal	122.6	126.8	0.0	0.0
Net Interest and Investment Income	3.9	31.4	18.2	55.4
Profit on sale of fixed assets	--	--	19.9	--
Loss on sale of fixed assets	--	--	--	5.5
Interest Payable	--	--	--	239.0
Sub-Total	**196.1**	**248.1**	**-31.6**	**-286.7**
Net Operating Expenditure	**-584.5**	**-1,357.4**	**-1,846.3**	**-2,135.9**
Transfer to Earmarked Reserves	9.2	--	433.7	538.9
Contributions to Pensions Reserves	--	--	--	--
Contributions from Pensions Reserves	--	--	--	15.5
Contributions to other reserves	--	7.2	--	--
Contributions to Capital financing account	--	--	127.0	--
Appropriation to from group income and expenditure account	--	--	--	11.5
Capital Expenditure financed from Revenue	132.2	581.9	--	--
Transfer from Earmarked Reserves	--	9.2	--	--
Contributions from Capital financing account	--	--	--	130.0
Contributions from fixed asset restatement account	--	--	73.5	81.7
Appropriation from group income and expenditure account	--	--	7.2	--
Realisation of revaluation reserve	--	--	67.2	71.4
Contributions from other reserves	--	--	70.9	49.0
Other Transfers from Reserves	--	123.0	--	--
Sub-Total	**-141.4**	**-456.9**	**-341.9**	**-233.8**
Total Amount to be met from Government Grant and GLA Precept	**725.9**	**1,814.3**	**2,188.2**	**2,369.7**
Revenue Transport Grant	717.1	1,791.1	2,230.2	2,121.3
Other Revenue Grant	0.5	5.1	5.7	12.2
GLA Precept	10.1	35.8	57.8	25.8
SURPLUS / DEFICIT FOR THE YEAR	**1.8**	**17.7**	**105.5**	**-210.4**

Transport for London - Group Balance Sheet

	2002	2003	2004	2005
Tangible Fixed assets				
Infrastructure and other property	2,634.5	2,837.3	9,844.8	10,309.4
Rolling Stock	--	288.6	1,230.2	1,292.8
Plant and Equipment	220.4	0.0	472.1	444.3
Non Operational Assets	92.9	120.2	619.2	789.4
Total Tangible Fixed Assets	**2,947.8**	**3,246.1**	**12,166.3**	**12,835.9**
Investment in subsidiaries and joint venture	--	--	--	--
Total Fixed Assets	**2,947.8**	**3,246.1**	**12,166.3**	**12,835.9**
Current Assets				
Stocks	5.4	4.5	5.7	5.0
Debtors	134.3	170.1	367.4	338.4
Short-Term investments	108.6	162.6	852.6	1,326.5
Cash at bank and in hand	16.3	0.4	22.2	24.0
Total Current Assets	**264.6**	**337.6**	**1,247.9**	**1,693.9**
Short Term borrowings	--	20.0	--	--
Current Liabilities	257.4	324.0	--	--
Creditors -falling due within one year	21.8	17.6	1,104.0	1,457.5
Total Current Liabilities	**279.2**	**361.6**	**1,104.0**	**1,457.5**
Net Current Assets	**-14.6**	**-24.0**	**143.9**	**236.4**
Total Assets less current liabilities	**2,933.2**	**3,222.1**	**12,310.2**	**13,072.3**
Creditors:falling due after one year	230.4	229.8	403.6	636.5
Provisions for liabilities and charges	112.4	89.5	136.5	217.5
Borrowings due after more than one year	--	--	--	195.6
Net Assets excluding grants	**2,590.4**	**2,902.8**	**11,770.1**	**12,022.7**
Deferred grants	650.8	685.1	6,766.8	6,681.7
Net assets excluding pension and other post retirement liabilities	**1,939.6**	**2,217.7**	**5,003.3**	**5,341.0**
Pension and other post-retirement liabilities	--	--	882.7	960.7
Total Net Assets	**1,939.6**	**2,217.7**	**4,120.6**	**4,380.3**
Capital and Reserves				
General Fund	2.9	20.9	126.0	150.5
Earmarked Reserves	--	--	433.7	972.6
Capital Financing Account	176.4	345.5	148.5	23.4
Fixed Asset Restatement Account	1,751.1	1,851.3	1,655.5	1,586.1
Revaluation Reserve	--	--	1,900.7	1,907.0
Net Growth in Other Reserves	9.2	--	-143.8	-259.3
Total Capital Employed	**1,939.6**	**2,217.7**	**4,120.6**	**4,380.3**

Transport for London - Key Ratios

	2002	2003	2004	2005
Transport Grant / Total Revenues (%)	44.58	38.55	42.94	39.76
Own Source Revenues / Total Revenues (%)	32.22	41.78	44.69	47.88
Surplus / Deficit for the year / Total Revenues (%)	0.11	0.38	2.03	-3.94
Current Assets / Current Liabilities (%)	94.77	93.36	113.03	116.22
Long-Term Borrowings / Net Assets (%)	--	--	--	1.50
General Fund and Earmarked Reserves / Long-Term Borrowings (x)	--	--	--	5.74
General Fund and Earmarked Reserves / Interest Payable (x)	--	--	--	4.70

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