

**LONDON UNITED BUSWAYS LIMITED**

**REGISTERED NO: 2328561**

**FINANCIAL STATEMENTS FOR THE 52 WEEKS  
ENDED 6 NOVEMBER 1998**



**LONDON UNITED BUSWAYS LIMITED**  
**DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 6 NOVEMBER 1998**

The Directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the 52 weeks ended 6 November 1998.

**Business Review**

The Company's principal activity continues to be the provision of road passenger transport services in the Greater London area. During the period the Company traded successfully with approximately 600 buses based in South West London.

**Financial Results**

The profit for the period was £3,769,000 after taxation. The Directors recommend that no dividends be paid.

**Directors and their Interests**

The Directors who held office during the period are listed below. They held no interest in the shares of the Company.

D E Humphrey  
S F H Lawes  
M Lewis  
W J Cahill  
A M Cargill (resigned 19 December 1997)  
A E Juniper  
D A Lott  
R M Wiseman

**Disabled Employees**

The Company's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the Company continues and where necessary, appropriate training is arranged. It is the Company's policy that training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees in similar positions.

**Employee Involvement**

The Directors and Managers of the Company place considerable value on consultative meetings with employees. Information on matters affecting employees and on various factors affecting the performance of the Company is disseminated through meetings, newsletters and training programmes. Employees' representatives are consulted regularly on a wide range of matters affecting employees' current and future interests.


**Suppliers**

Company policy is to establish payment terms with suppliers when agreeing the terms of business transactions. Where payment terms have not been agreed, payments are generally made to suppliers within thirty days of receipt of correct invoices.

**Year 2000**

The Directors have assessed the risks and uncertainties associated with the change of date to the year 2000. The Directors are regularly reviewing the plans and action checklists which have been drawn up to address this problem. Whilst the Directors are confident that problems relating to the Company's internal systems will be adequately addressed, the Company remains exposed to potential risks from third parties with which it conducts business. The total cost of remedial plans is not sufficiently significant to warrant further disclosure.

Busways House  
Wellington Road  
Twickenham  
Middlesex TW2 5NX

 **By Order of the Board**  
K A Wright  
Company Secretary  
9 February 1999

**LONDON UNITED BUSWAYS LIMITED**  
**DIRECTORS' RESPONSIBILITIES IN RESPECT OF**  
**THE FINANCIAL STATEMENTS**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**LONDON UNITED BUSWAYS LIMITED**  
**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**LONDON UNITED BUSWAYS LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and certain buses and on the basis of the accounting policies set out on page 6.

**Respective Responsibilities of Directors and Auditors**

As described on page 2 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

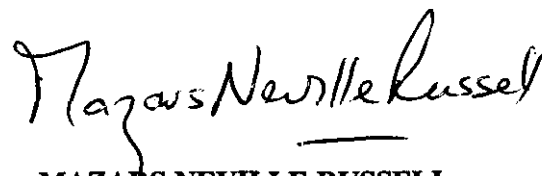
**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 6 November 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**MAZARS NEVILLE RUSSELL**  
Chartered Accountants  
Registered Auditors

**LONDON UNITED BUSWAYS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the 52 weeks ended 6 November 1998**

	Notes	1998 £'000	1997 £'000
Turnover	1	44,707	43,132
Cost of operations		(39,878)	(37,411)
Net interest receivable/(payable)	5	110	(1,231)
<b>Profit on ordinary activities before taxation</b>	2	<b>4,939</b>	<b>4,490</b>
Taxation	6	(1,170)	(825)
<b>Profit on ordinary activities after taxation</b>		<b>3,769</b>	<b>3,665</b>
Dividends		-	(4,137)
<b>Retained profit/(loss)</b>		<b>3,769</b>	<b>(472)</b>

The Company's results are all from continuing operations

Movements in reserves are set out in Note 15 to these financial statements.

There are no gains and losses other than those in the profit and loss account.


**Note of historical cost profit**

Reported profit on ordinary activities before taxation	4,939	4,490
Difference between an historical cost depreciation charge and the actual depreciation charge based on the revalued amount	252	215
Historical cost profit on ordinary activities before taxation	5,191	4,705
Historical cost profit/(loss) retained after taxation and dividends	4,021	(257)

**LONDON UNITED BUSWAYS LIMITED**  
**BALANCE SHEET**  
**at 6 November 1998**

	Notes	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	7	26,247	25,369
Investment		-	100
		<u>26,247</u>	<u>25,469</u>
<b>Current assets/liabilities</b>			
Stocks		565	573
Debtors	8	3,303	3,057
Cash at bank and in hand		1,256	1,566
		<u>5,124</u>	<u>5,196</u>
Creditors: amounts falling due within one year	9	(12,734)	(15,824)
<b>Net current liabilities</b>		<u>(7,610)</u>	<u>(10,628)</u>
<b>Total assets less current liabilities</b>		<u>18,637</u>	<u>14,841</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(138)	(167)
<b>Provisions for liabilities and charges</b>	12	<u>(2,231)</u>	<u>(2,175)</u>
<b>Net assets</b>		<u><u>16,268</u></u>	<u><u>12,499</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	3,576	3,576
Share premium account	14	3,576	3,576
Revaluation reserve	15	4,252	4,504
Profit and loss account	15	4,864	843
		<u>16,268</u>	<u>12,499</u>

The financial statements were approved by the Board of Directors on 9 February 1999 and signed on its behalf by:

  
 S F H Lawes  
 Director  
 9 February 1999

**LONDON UNITED BUSWAYS LIMITED**  
**PRINCIPAL ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

These financial statements have been prepared under the historic cost convention modified for the revaluation of land and buildings and certain buses in accordance with applicable accounting standards.

No cash flow statement is presented as a consolidated cash flow statement is included in the financial statements of the ultimate parent undertaking.

**TURNOVER**

Turnover excludes value added tax and comprises cash taken on buses, an allocation of travelcard, bus pass and concessionary pass income, income from London Regional Transport under net cost and gross cost contracts and income from other commercial services.

**TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets are generally stated at historic cost less accumulated depreciation. Land and buildings are stated at an independent valuation. 49 buses are stated at a valuation equivalent to historic net book value, as if the buses had been owned since new. Freehold land is not depreciated. Depreciation is provided on the straight-line basis over the estimated useful lives of all other assets as follows:

Buses	- range from 3 to 17 years
Buildings	- 20 years
Other assets	- range from 1 to 10 years

**LEASED ASSETS**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

Assets held under finance leases are capitalised and depreciated over their useful lives. The corresponding lease obligations are treated in the balance sheet as liabilities. The interest element of lease obligations is charged to profit and loss account over the period of the lease at a constant proportion of the outstanding balance of capital repayments.

**GOODWILL**

Depending on the circumstances of each acquisition, purchased and consolidated goodwill is either set off directly against reserves or amortised through the profit and loss account over its estimated useful economic life.

**STOCKS**

Stocks consist of parts and materials required for the operation and maintenance of buses. These materials are valued at the lower of cost and net realisable value to the Company after making due allowance for obsolete and slow moving items.

**PENSIONS**

A large proportion of employees are members of London United Busways Retirement Benefits Plan ("the Plan"), to which the Company contributes. The Plan is a UK defined benefit scheme, the assets of which are held in trustee administered funds. Pension costs are accounted for on the basis of charging the expected cost of providing pensions for the period during which the Company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining life of the members of the Plan.

**TAXATION**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

**RELATED PARTY TRANSACTIONS**

No related party transactions have been disclosed as the Company has taken advantage of the exemption within FRS 8. (The Company is a wholly owned subsidiary whose results are included in its parent's consolidated accounts, which are available to the public.)

**LONDON UNITED BUSWAYS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the 52 weeks ended 6 November 1998**

### NOTE 1 TURNOVER AND PROFIT BEFORE TAXATION

All of the Company's turnover and profit before taxation derives from the provision of road passenger transport services in the Greater London area.

The 1997 comparative has been adjusted to include negative subsidies payable to London Regional Transport. £309,000 of these negative subsidies had previously been included within cost of operations.

**NOTE 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit on ordinary activities before taxation has been arrived at after charging/(crediting) the following amounts:

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration – audit work	19	17
– non audit work	-	23
Hire rentals under operating leases	221	86
Depreciation of owned assets	3,124	1,109
Depreciation of buses held under finance leases and hire purchase contracts	34	1,922
Goodwill acquired and written off during the period	209	-
Rates rebates	(229)	-

### NOTE 3 DIRECTORS' EMOLUMENTS

During the period the Directors received emoluments totalling £429,000 (1997 £479,000).

The highest paid Director received emoluments of £83,000 (1997 £75,000) and is entitled to an accrued annual pension of £33,691 (1997 £31,000) at the end of the period.

**All Directors were accruing retirement benefits under a defined benefit scheme.**

#### NOTE 4 STAFF COSTS

**Staff costs during the period amounted to:**

Staff costs during the period amounted to:	1998 £'000	1997 £'000
Wages and salaries	22,595	21,618
Social security costs	1,891	1,792
Other pension costs	680	653
	<u>25,166</u>	<u>24,063</u>

The average monthly number of people employed by the Company, including Directors, during the period was as follows:

	1998	1997
	Number	Number
Bus operations	1,200	1,218
Bus maintenance	119	130
Management and administration	41	45
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	1,360	1,393



**NOTE 5 NET INTEREST RECEIVABLE/(PAYABLE)**

	1998 £'000	1997 £'000
Finance charges in respect of finance leases and hire purchase contracts	(17)	(912)
Costs of early termination of finance leases and hire purchase contracts	-	(428)
Interest income	127	109
	<u>110</u>	<u>(1,231)</u>

**NOTE 6 TAXATION**

	1998 £'000	1997 £'000
United Kingdom corporation tax	619	700
Amount payable to parent undertaking for group relief	551	125
	<u>1,170</u>	<u>825</u>

The tax charge for the year has been increased by £3,000 (1997: £69,000) as a result of depreciation on non-qualifying assets, by £73,000 (1997: £114,000) as a result of other expenditure not allowable for tax purposes, reduced by £518,000 (1997: £338,000) as a result of losses surrendered by the parent company for no consideration, and reduced by £32,000 (1997: £456,000) as a result of the non-provision of deferred taxation.

**NOTE 7 TANGIBLE FIXED ASSETS**

£'000 <u>Cost or valuation</u>	Freehold land and buildings	Buses	Other assets	Totals
At beginning of period	8,100	35,614	2,252	45,966
Additions	-	3,737	444	4,181
Disposals	-	(1,275)	(183)	(1,458)
	<u>8,100</u>	<u>38,076</u>	<u>2,513</u>	<u>48,689</u>

**Depreciation**

At beginning of period	203	18,718	1,676	20,597
Charge for the period	69	2,852	237	3,158
Disposals	-	(1,165)	(148)	(1,313)
	<u>272</u>	<u>20,405</u>	<u>1,765</u>	<u>22,442</u>

**Net book value**

At beginning of period	<u>7,897</u>	<u>16,896</u>	<u>576</u>	<u>25,369</u>
At end of period	<u>7,828</u>	<u>17,671</u>	<u>748</u>	<u>26,247</u>

## **NOTE 7 TANGIBLE FIXED ASSETS (contd)**

Land and buildings were revalued for the Directors at 20 February 1998 by Healey & Baker, International Real Estate Consultants, on the basis of open market values for existing use. No provision has been made for tax which would become payable on disposal of revalued properties at their valuations. The historical cost of freehold buildings on which depreciation was charged was £1,365,000. The historical cost of freehold land and buildings included above at a valuation of £8,100,000 was £4,415,000. If these properties are sold for more than cost before 1 April 2004, clawback arrangements are in place such that 50% of any surplus is repayable to the former shareholder London Regional Transport.

The cost to the Company of the 49 buses included at valuation was £4,165 and the revaluation amount added on acquisition was £1,527,000. The basis for revaluation was the net book value of buses of a similar type and age. The revaluation reserve is reduced by a transfer to profit and loss account of £252,000 for the period relating to the depreciation charge on the revaluation.

At 6 November 1998 the net book value of leased buses was £156,400 (1997: £174,000).

## **NOTE 8 DEBTORS**

	1998 £'000	1997 £'000
Trade debtors	2,674	2,326
Amount due from parent undertaking	-	11
Value added tax	198	364
Other debtors	8	10
Prepayments	423	346
	<u>3,303</u>	<u>3,057</u>

## **NOTE 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £'000	1997 £'000
UK lease obligations falling due within one year	28	26
Bank overdraft	335	-
Trade creditors	1,451	3,920
Amount due to parent undertaking	5,654	7,611
Amount due to fellow subsidiary undertaking	1,904	950
Corporation tax	591	784
Other taxation and social security	718	546
Receipts in advance	172	246
Fuel duty rebate received in advance	240	66
Salary and wages accrual	1,128	1,240
Other accruals	513	435
	<u>12,734</u>	<u>15,824</u>

## **NOTE 10 OPERATING LEASE COMMITMENTS**

The annual commitments under non-cancellable operating leases are as follows:

	<b>Land and Buildings</b>	
	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Commitment expiring:		
within one year	-	-
in two to five years	30	5
in five to ten years	-	-
in ten to twenty years	94	-
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	124	5
	<hr/>	<hr/>

## **NOTE 11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease obligations:		
repayable between one and two years	31	28
repayable between two and five years	107	104
repayable after more than five years	-	35
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	138	167
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## **NOTE 12 PROVISIONS FOR LIABILITIES**

	<b>Claims</b>	<b>Holiday</b>	
	<b>£'000</b>	<b>Pay</b>	
		<b>£'000</b>	<b>Totals</b>
			<b>£'000</b>
At beginning of period	1,745	430	2,175
Profit and loss movement	40	16	56
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	1,785	446	2,231
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### **Claims**

Provision is made for claims against the Company to the extent that they are not covered by insurance policies.

### **Holiday Pay**

Provision is made for holiday pay in respect of employees who have not taken their full entitlement to paid holidays in the first year of service and who on leaving the Company are entitled to holiday pay for holidays not taken in their first year of service. Provision is also made for holidays not taken due to sickness and for holiday entitlements due to working on public holidays. No provision is made for current year annual holiday entitlement not taken.

**NOTE 12 PROVISION FOR LIABILITIES (Contd)****Deferred Taxation**

Deferred taxation which has not been provided amounted to:

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of related depreciation	1,812	1,631
Other short term timing differences	(123)	(68)
Revaluation of fixed assets	814	908
	<u>2,503</u>	<u>2,471</u>

**NOTE 13 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains	3,769	3,665
Dividends	-	(4,137)
	<u>3,769</u>	<u>(472)</u>
Total movements during the period	12,499	12,971
Shareholder's funds brought forward		
	<u>16,268</u>	<u>12,499</u>

**NOTE 14 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT**

	<b>1998 and 1997</b>
	<b>£</b>
<b>Authorised Share Capital</b>	
Ordinary Shares of £1 each	19,000,000
<b>Issued Share Capital</b>	
Called up, allotted and fully paid	
Ordinary Shares of £1 each	3,576,500
<b>Share Premium Account</b>	
On issue of Ordinary Shares	3,575,500

**NOTE 15 RESERVES**

	<b>Asset revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>
At beginning of period	4,504	843
Retained profit in the period	-	3,769
Transfer to profit and loss account	<u>(252)</u>	<u>252</u>
At end of period	<u>4,252</u>	<u>4,864</u>

#### **NOTE 16 CAPITAL COMMITMENTS**

At 6 November 1998 the Company had contracted to purchase cars and other assets at a total cost of £203,110 (1997 : £ nil).

At 6 November 1998 and subsequently, the Company has secured contracts for the operation of bus services which will require the purchase of new buses with an expected cost of approximately £12.1 million during the year to November 1999 and £5.7 million during the year to November 2000.

#### **NOTE 17 CONTINGENT LIABILITIES**

The Company is a member of a VAT group covering the Company and other group companies. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HM Customs and Excise.

The Company has also entered into a clawback debenture in respect of each of the four freehold bus garages transferred from London Regional Transport during 1993. This debenture imposes a charge over each property in favour of London Regional Transport for ten years from 1 April 1994 to secure liabilities arising in the event of disposal of each property.

The assets of the Company are subject to fixed and floating charges as security against bank borrowings of London United Busways 1994 Limited and its subsidiaries.

#### **NOTE 18 PENSIONS**

The Company operates a defined benefit pension scheme which is financed through separate Trustee administered funds managed by independent professional fund managers. An actuarial valuation of the scheme was carried out at 1 January 1997 by William M Mercer Limited, an independent actuary. The principal actuarial assumptions were:

Investment return	8.75% p.a.
Salary inflation	6.0% p.a.
Dividend growth	5.0% p.a.
Pension increases	4.0% p.a.

On the basis of these assumptions the actuarial value of the scheme at 1 January 1997 was sufficient to cover 103% of the benefits then accrued to members. A SSAP 24 adjustment is not made due to the level of materiality. The market valuation of the scheme assets at 1 January 1997 was £3,380,000. On a discontinuance basis there was a deficiency of £1,060,000. This deficit is being eliminated by an increase in the contribution rate.

#### **NOTE 19 PARENT UNDERTAKING**

The ultimate parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Caisse des Depots et Consignations, a French public sector financial institution. The accounts of Caisse des Depots et Consignations are available at 56 Rue de Lille, 75356 Paris. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is London United Busways 1994 Limited, a company registered in England and Wales.