

LONDON UNITED BUSWAYS LIMITED

REGISTERED NO: 2328561

FINANCIAL STATEMENTS FOR THE 52 WEEKS

ENDED 10 NOVEMBER 2006

THURSDAY



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LONDON UNITED BUSWAYS LIMITED

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LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

The Directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the 52 weeks ended 10 November 2006

Principal activities

The Company's principal activity continues to be the provision of road passenger transport services in the Greater London area

Business review

The Company is a wholly owned subsidiary of London United Limited. The principal activities of the Company are the provision of road passenger transport services in the Greater London area. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 6, the Company's turnover has increased by 7.6% over the prior year and profit after tax has similarly improved.

The balance sheet on page 7 of the financial statements shows that the Company's financial position at the year end. The Company has overall net assets.

The Company manages its operations in a single geographical region and for one key customer. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary for an appropriate understanding of the development, performance or position of the business.

Principal risks and uncertainties

The Directors have established a continuing process of risk management within the Company to evaluate, monitor and manage any potential risks and uncertainties that could have an impact upon the Company's long term performance. The Directors have also established a strong culture of safety and security both for our staff and our passengers.

The specific principal risks facing the Company include increasing labour and fuel costs as well as competitive pressures.

By far the largest element of the Company's operating costs relates to the cost of labour. The Directors have established a process of monitoring all aspects of recruitment, training, personal development and remuneration to ensure the Company remains competitive and retains and recruits the right staff.

Fuel costs are heavily influenced by external factors. However, where possible and if appropriate the Company will manage the impact with the use of fixed price contracts as well as improving fuel consumption through engineering maintenance and embracing the latest bus technology through the Company's bus procurement policy.

The Company is also exposed to insurance costs. Details of provision against claims can be found in note 16 to the financial statements. The Company manages this risk by the implementation of key procedures in respect to accident prevention, using dedicated Accident Prevention Managers along with driver training and awareness.

The Company regularly monitors the level of insurance claims in consultation with its insurers to ensure appropriate provisions are made. The Directors regularly review the insurance cover needed by the Company.

Future Outlook

The Directors consider the operating conditions in London will remain very competitive. However, we believe the Company's continuing focus on operational efficiencies and quality will enable the Company to generate a satisfactory result this year.

LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities

Employees

Details of the number of employees and related costs can be found in Note 4 to the financial statements

Financial instruments

The Company's activities expose it to certain financial risks. These include price risks related primarily to fuel prices and also interest rate risk. The Company is not significantly exposed to foreign exchange risk, credit risk or cash flow risk. The management review financial risks regularly in accordance with Company policies. The Company does not undertake any hedging activity.

Dividends

The Directors recommend a dividend of £7,050,000 (2005 £4,500,000)

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. The Company does not have any share options.

C Beaumont	
L Birchley	
R C Casling	
D A Lott	
A McGill	
F-X Perrin	
K Fuller	
M Miskelly	- resigned 11 th February 2006
N Stevens	- appointed 8 th May 2006
K S Chadha	- appointed 11 th February 2006
Paul Wren	- appointed 15 th March 2006 - resigned 14 th March 2007
Peter Gillespie	- appointed 15 th March 2006 - resigned 14 th March 2007

Directors' liabilities

The Company has granted indemnity against liability to its Directors during the year.

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 position.

Employee consultation

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. At 10 November 2006, the company had 33 days' purchases unpaid (2005 37 days).

LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

Statement as to disclosure of information to auditors

We have each taken all the necessary steps to make us aware as Directors, of any relevant audit information and to establish that the auditors are aware of that information

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware

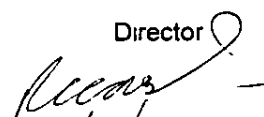
Auditors

A resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the Annual General Meeting

Busways House
Wellington Road
Twickenham
Middlesex TW2 5NX

By Order of the Board

Director


17/8/2007

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

UK 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 judgments 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LONDON UNITED BUSWAYS LIMITED

We have audited the financial statements of London United Busways Limited for the year ended 10 November 2006 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the company's Directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications of our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of 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, in accordance with IFRS as adopted for use in the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 10 November 2006 and of its profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP
Chartered Accountants and Registered Auditors
24 Bevis Marks, London, EC3A 7NR

Date *28th August 2007*

LONDON UNITED BUSWAYS LIMITED
INCOME STATEMENT
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

	Notes	2006 £'000	2005 £'000
Continuing operations			
Revenue	1	107,487	99,857
Operating expenses		<u>(96,146)</u>	<u>(88,299)</u>
Operating profit		11,341	11,558
Investment income	5	302	359
Finance costs	6	<u>(913)</u>	<u>(1,392)</u>
Profit before taxation	2	10,730	10,525
Taxation	7	<u>(3,229)</u>	<u>(3,203)</u>
Profit for the period		<u>7,501</u>	<u>7,322</u>

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

	Notes	2006 £'000	2005 £'000
Gains on revaluation of properties		-	4,475
Tax on items taken directly to equity		<u>17</u>	<u>(1,090)</u>
Net income recognised directly in equity	17	17	3,385
Profit for the period		7,501	7,322
Total recognised income and expense for the period		<u>7,518</u>	<u>10,707</u>

LONDON UNITED BUSWAYS LIMITED
BALANCE SHEET
AS AT 10 NOVEMBER 2006

	Notes	2006 £'000	2005 £'000
Non current assets			
Intangible assets	8	180	230
Property, plant and equipment	9	35,993	38,142
Deferred tax asset	17	3,654	3,633
		<u>39,827</u>	<u>42,005</u>
Current assets			
Inventories	10	325	393
Trade and other receivables	11	24,328	25,500
Cash and cash equivalents		2,570	6,414
		<u>27,223</u>	<u>32,307</u>
Total assets		<u>67,050</u>	<u>74,312</u>
Current liabilities			
Trade and other payables	12	11,792	11,011
Borrowings	13	-	4,750
Tax liabilities		953	1,421
Obligations under finance lease	15	1,692	1,692
Provisions	16	4,816	6,106
		<u>19,253</u>	<u>24,980</u>
Net current assets		7,970	7,327
Non current liabilities			
Obligations under finance lease	15	5,848	7,541
Deferred tax liabilities	17	6,594	6,915
Retirement benefit obligation	20	11,948	11,909
		<u>24,390</u>	<u>26,365</u>
Total liabilities		<u>43,643</u>	<u>51,345</u>
Net assets		<u>23,407</u>	<u>22,967</u>
Equity			
Share capital	18	3,576	3,576
Share premium	19	3,576	3,576
Revaluation reserve	19	10,141	10,216
Retained earnings	19	6,114	5,599
Equity shareholders' funds	19	<u>23,407</u>	<u>22,967</u>

The financial statements were approved by the Board of Directors on 17/8/2007 and signed on its behalf by



LONDON UNITED BUSWAYS LIMITED
CASH FLOW STATEMENT
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

	Notes	2006 £'000	2005 £'000
Net cash from operating activities	24	<u>10,499</u>	<u>10,886</u>
Cash flows from investing activities			
Interest received		302	359
Proceeds on disposal of property, plant and equipment		360	385
Purchases of property, plant and equipment		<u>(1,513)</u>	<u>(838)</u>
Net cash used in investing activities		<u>(851)</u>	<u>(94)</u>
Cash flows from financing activities			
Dividends paid		(7,050)	(4,500)
Repayments of obligations under finance lease		(1,692)	(1,692)
Repayment of borrowings		<u>(4,750)</u>	<u>(2,550)</u>
Net cash used in financing activities		<u>(13,492)</u>	<u>(8,742)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(3,844)</u>	<u>2,050</u>
Cash and cash equivalents			
At beginning of year		6,414	4,364
Net (decrease) / increase in cash and cash equivalents		<u>(3,844)</u>	<u>2,050</u>
At end of year		<u>2,570</u>	<u>6,414</u>

LONDON UNITED BUSWAYS LIMITED

GENERAL INFORMATION

London United Busways Limited is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in Directors' Report on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company does not have any foreign operations.

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for the first time. UK GAAP differs in certain respects from IFRS, hence when preparing the financial information management has amended certain accounting and valuation methods to comply with IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS, are given in note 25.

In general, a company is required to define its IFRS policies and then apply them retrospectively. IFRS 1 does however allow a company to take advantage of a number of exemptions from restating historical data in certain instances. The Company has not elected to take advantage of any of these exemptions.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties. The principal accounting policies adopted are set out below.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from Transport for London and income from other commercial services, net of VAT.

Bus revenue from local authority and similar contracts is recognised on a straight-line basis over the period of contract.

Income from advertising and other activities is recognised as the income is earned.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reserves a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits.

LONDON UNITED BUSWAYS LIMITED
PRINCIPAL ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT (continued)

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases

Freehold buildings	50 years
Leasehold improvements	Length of lease
Buses	From 3 to 10 years
Other assets	From 2 to 10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases

Assets held under finance leases are recognised as assets of the Company at their fair value or if lower, at the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease

INVENTORIES

Inventories consist of parts and materials required for the operation and maintenance of buses. These materials are valued at cost less due allowance for obsolete and slow moving items

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and cash in hand and short-term deposits with an original maturity of three months or less

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Trade receivables

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts

Trade payables

Trade payables are not interest bearing and are stated at their nominal value

LONDON UNITED BUSWAYS LIMITED
PRINCIPAL ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (Continued)

Interest-bearing borrowings:

Interest-bearing loans are initially recorded at the value of the amount received, net of attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowing on an effective interest rate.

Equity investments:

Equity investments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting:

The Company's activities expose it to certain financial risks including changes in fuel prices. The Company is not adverse to using forward contracts to hedge these exposures when considered appropriate. The Company does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

RETIREMENT BENEFIT COSTS

The Company operates a defined benefit retirement scheme. The scheme is funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of the related pension liability.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

LONDON UNITED BUSWAYS LIMITED

PRINCIPAL ACCOUNTING POLICIES

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

PROVISIONS

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the Directors' best estimate of the expenditure required to settle the company's liability.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been issued by the IASB that are not yet effective. The Company has not adopted any of these standards, amendments or interpretations early.

IFRS 7 'Financial Instruments: Disclosures' and amendments to IAS 1 'Presentation of Financial Statements – Capital Disclosures' were issued in August 2005 and are effective for accounting periods beginning on or after 1 January 2007. These amendments revise and enhance previous disclosures required by IAS 32 and IAS 30 'Disclosures in the Financial Statements' of Banks and Similar Financial Institutions. These changes are not expected to have material effect on the results and net assets of the Company.

Other standards, amendments and interpretations not expected to have significant effect on the Company include IFRS 6 'Exploration for and evaluation of mineral resources', amendment to IAS 39 'Cash flow hedge accounting of forecast intragroup transactions', amendment to IFRS 1, amendment to IAS 39 and IFRS 4 'Insurance Contracts', IFRIC 5 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', IFRIC 7 'Applying the restatement approach under IAS 29 'Hyperinflationary accounting'', amendment to IAS 21 'The effect of changes in foreign exchange rates: net investment in a foreign operation', IFRIC 4 'Determining whether an arrangement contains a lease', IFRIC 6 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', IFRIC 8 'Scope of IFRS 2' and IFRIC 9 'Re-assessment of embedded derivatives'.

LONDON UNITED BUSWAYS LIMITED
PRINCIPAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regard to calculating the residual values of buses, the likelihood that tax assets can be realised, the provision for the recoverability of debts, and the adequacy of provisions for claims to the extent that they are not covered by insurance policies.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

NOTE 1 **REVENUE**

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

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

The profit on ordinary activities before taxation has been arrived at after charging the following amounts

	2006	2005
	£'000	£'000
Auditors' remuneration - audit work	57	64
- other work	3	6
Operating lease expenses		
- Plant and machinery	6,704	5,938
- Land and buildings	337	308
Depreciation of property, plant and equipment	1,933	2,113
Depreciation of property, plant and equipment held under finance leases and hire purchase contracts	1,378	1,385
Profit on disposal of property, plant and equipment	32	163
Cost of inventories recognised as expense	11,075	7,986

NOTE 3 **DIRECTORS' EMOLUMENTS**

During the period the Directors received emoluments totalling £488,198 (2005 £372,263)

	2006	2005
	£'000	£'000
Emoluments	488	372
Contribution to money purchase scheme	32	52
	<u>520</u>	<u>424</u>

The highest paid Director received emoluments of £126,011 (2005 £111,215) and is entitled to an accrued annual pension of £nil (2005 £10,664) at the end of the period. The number of Directors to whom final salary retirement benefits are accruing is 2 (2005 1). The number of Directors to whom money purchase retirement benefits are accruing is 3 (2005 3).

NOTE 4 **STAFF COSTS**

Staff costs during the period amounted to	2006	2005
	£'000	£'000
Wages and salaries	55,231	51,367
Social security	5,533	5,083
Other pension costs	1,601	1,208
	<u>62,365</u>	<u>57,658</u>

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

	2006	2005
	Number	Number
Bus operations	1,857	1,804
Engineering and maintenance	115	127
Management and administration	61	58
	<u>2,033</u>	<u>1,989</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

NOTE 5 INVESTMENT INCOME

	2006	2005
	£'000	£'000
Interest on bank deposits	<u>302</u>	<u>359</u>

NOTE 6 FINANCE COSTS

	2006	2005
	£'000	£'000
Interest on obligations under finance leases	439	539
Interest and similar charges in respect of other loans	127	343
Net pension finance costs	<u>347</u>	<u>510</u>
	<u>913</u>	<u>1,392</u>

NOTE 7 TAXATION

	2006	2005
	£'000	£'000
Current Taxation		
- UK Corporation tax	3,621	3,634
- Prior year	(68)	22
Deferred Taxation		
- Current year	(348)	(469)
- Prior year	24	16
	<u>3,229</u>	<u>3,203</u>

Corporation tax is calculated on the basis of total income tax expenses as a proportion of profit for the year. It is 30% (2005 30%) of assessable profits for the year.

The effective tax rate, calculated on the basis of total income tax expense as a proportion of profit before tax is 30.0% (2005 30.4%).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2006	2005
	£'000	£'000
Profit before tax	<u>10,730</u>	<u>10,525</u>
Tax at the UK corporation tax rate of 30% (2005 30%)	3,219	3,158
Adjustment to tax and deferred tax charge in respect of previous periods	(44)	38
Permanent differences	54	8
Other movements	-	(1)
Total tax charge for the period	<u>3,229</u>	<u>3,203</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 INTANGIBLE ASSETS

Cost or Valuation

**Software
£'000**

At 12 November 2005	447
Additions	-
Disposals	-
At 10 November 2006	<u>447</u>

Depreciation

At 12 November 2005	217
Charge for the period	50
Eliminated on disposal	-
At 10 November 2006	<u>267</u>

Carrying amount

At 10 November 2006	<u>180</u>
At 11 November 2005	<u>230</u>

LONDON UNITED BUSWAYS LIMITED
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NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

	Freehold land & buildings £'000	Leasehold improve- ments £'000	Work in progress £'000	Buses £'000	Other assets £'000	Total £'000
At 12 November 2005	17,300	1,616	303	34,890	4,063	58,172
Additions	291	30	-	939	556	1,816
Asset category reallocation	-	-	(303)	-	-	(303)
Disposals	-	-	-	(2,549)	(66)	(2,615)
At 10 November 2006	<u>17,591</u>	<u>1,646</u>	<u>-</u>	<u>33,280</u>	<u>4,553</u>	<u>57,070</u>

Depreciation

At 12 November 2005	-	492	-	16,556	2,982	20,030
Charge for the period	146	171	-	2,653	341	3,311
Eliminated on disposal	-	-	-	(2,222)	(66)	(2,288)
Additions	-	-	-	24	-	24
At 10 November 2006	<u>146</u>	<u>663</u>	<u>-</u>	<u>17,011</u>	<u>3,257</u>	<u>21,077</u>

Carrying amount

At 10 November 2006	<u>17,445</u>	<u>983</u>	<u>-</u>	<u>16,269</u>	<u>1,296</u>	<u>35,993</u>
At 11 November 2005	<u>17,300</u>	<u>1,124</u>	<u>303</u>	<u>18,334</u>	<u>1,081</u>	<u>38,142</u>

Land and buildings were revalued in November 2006 by Cluttons, International Real Estate Consultants, independent valuers and not connected with the company, on the basis of market value. At 10 November 2006, had the land and buildings of the Company been carried at historical cost less accumulative depreciation and accumulative impairment losses, their carrying amount would have been £3,647,000 (2005 £3,662,000).

The revaluation surplus is disclosed in note 19.

At 10 November 2006 the carrying amount of buses leased and hire purchased was £9,011,533 (2005 £10,781,964).

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 INVENTORIES

	2006 £'000	2005 £'000
Finished goods	<u>325</u>	<u>393</u>

Inventories consist of spare parts and fuel reserves

NOTE 11 TRADE AND OTHER RECEIVABLES

	2006 £'000	2005 £'000
Trade receivables	5,058	5,712
Amount due from related companies	16,965	17,597
Other receivables	1,068	998
Prepayments	<u>1,237</u>	<u>1,193</u>
	<u>24,328</u>	<u>25,500</u>

Trade receivables are primarily due from one counterparty, however the Directors do not consider the Company to be significantly exposed to credit risk

NOTE 12 TRADE AND OTHER PAYABLES

	2006 £'000	2005 £'000
Trade payables	2,475	2,246
Other taxations and social security	2,683	2,477
Amount due to related companies	914	932
Accruals and deferred income	<u>5,720</u>	<u>5,356</u>
	<u>11,792</u>	<u>11,011</u>

NOTE 13 BORROWINGS

	2006 £'000	2005 £'000
Other loans	<u>-</u>	<u>4,750</u>

The loan was secured over certain assets of the Company, it had an effective interest rate of 6.5%. The loan was repaid in full in 2006

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14 OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows

	Land & buildings 2006 £'000	Other 2006 £'000	Land & buildings 2005 £'000	Other 2005 £'000
Within one year	258	6,979	258	6,679
in two to five years	1,032	12,878	1,032	17,515
Over five years	1,931	448	2,188	523
	<u>3,221</u>	<u>20,305</u>	<u>3,478</u>	<u>24,717</u>

NOTE 15 OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts payable under finance leases				
Within one year	2,093	2,144	1,692	1,692
in the second to fifth years inclusive	5,962	7,109	5,245	6,062
After five years	<u>622</u>	<u>1,569</u>	<u>603</u>	<u>1,479</u>
	<u>8,677</u>	<u>10,822</u>	<u>7,540</u>	<u>9,233</u>
Less future finance charges	<u>1,137</u>	<u>1,589</u>		
Present value of lease obligations	<u>7,540</u>	<u>9,233</u>		
Amount due for settlement within 12 months (shown under current liabilities)			<u>1,692</u>	<u>1,692</u>
Amount due for settlement after 12 months			<u>5,848</u>	<u>7,541</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 PROVISIONS FOR LIABILITIES AND CHARGES

	Claims	Holiday pay	Total
	£'000	£'000	£'000
At the beginning of period	5,844	262	6,106
Charge for the period	2,207	62	2,269
Utilised during the period	(1,896)	(192)	(2,088)
Reversed during the period	(1,457)	(14)	(1,471)
At the end of period	<u>4,698</u>	<u>118</u>	<u>4,816</u>
Included in current liabilities			4,816
Included in non-current liabilities			<u>-</u>

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 the first year of service

LONDON UNITED BUSWAYS LIMITED
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period

	Accelerated tax depreciation £'000	Revaluation of building £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 13 November 2004	(3,869)	(2,199)	3,360	63	(2,645)
Credit / (charge) to income	243	-	213	(3)	453
Charge to equity	-	(1,090)	-	-	(1,090)
At 12 November 2005	(3,626)	(3,289)	3,573	60	(3,282)
Credit / (charge) to income	304	-	12	9	325
Credit to equity	-	17	-	-	17
At 10 November 2006	<u>(3,322)</u>	<u>(3,272)</u>	<u>3,585</u>	<u>69</u>	<u>(2,940)</u>

The following is the analysis of the deferred tax balances for financial reporting purposes

	2006 £'000	2005 £'000
Deferred tax liabilities	(6,594)	(6,915)
Deferred tax assets	<u>3,654</u>	<u>3,633</u>
	<u>(2,940)</u>	<u>(3,282)</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 CALLED UP SHARE CAPITAL

	2006 & 2005 £'000
Authorised share capital	
Ordinary shares of £1 each	<u>19,000</u>
Issued share capital	
Called up, allotted and fully paid ordinary shares of £1 each	<u>3,576</u>

NOTE 19 STATEMENT OF CHANGES IN EQUITY

	Equity share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 13 November 2004	3,576	3,576	6,831	2,777	16,760
Total recognised income and expense	-	-	-	7,322	7,322
Dividends paid	-	-	-	(4,500)	(4,500)
Net surplus on revaluation of property, plant and equipment	-	-	3,385	-	3,385
Balance at 12 November 2005	3,576	3,576	10,216	5,599	22,967
Other movements	-	-	-	(28)	(28)
Total recognised income and expense	-	-	-	7,501	7,501
Dividends paid	-	-	-	(7,050)	(7,050)
Net surplus on revaluation of property, plant and equipment	-	-	(75)	92	17
At 10 November 2006	<u>3,576</u>	<u>3,576</u>	<u>10,141</u>	<u>6,114</u>	<u>23,407</u>

Share premium account

The share premium account is used to record amounts received in excess of the nominal value of shares on issue of new shares

Revaluation reserve

The revaluation reserve is used to record the movement in the market value of freehold land and buildings

LONDON UNITED BUSWAYS LIMITED
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NOTE 20 RETIREMENT BENEFIT SCHEMES

Defined benefit schemes

The Company operates defined benefit schemes for qualifying employees of the Company and employees who transferred to the scheme in 2003 as a result of the acquisition of London Sovereign Limited. Under the schemes, the employees are entitled to retirement benefits amounting to 1/60th of final pensionable pay for each year of pensionable service on attainment of a retirement age of 65. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 1 January 2005 updated to 10 November 2006 by Mr Reed, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method.

	Valuation at 2006	2005
Key assumption used		
Discount rate	4.90%	5.10%
Expected return on scheme assets	6.70%	6.90%
Expected rate of salary increases	4.00%	3.80%
Future pension increases	3.00%	2.80%

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 2006 £'000	Year ended 2005 £'000
Current service cost	1,580	1,567
Interest cost	1,739	1,454
Expected return on scheme assets	(1,392)	(944)
Past service cost	<u>1,927</u>	<u>2,077</u>

Of the charge for the year, £1,580,000 (2005: £1,567,000) has been included in cost of sales. Actuarial gains and losses where they exceed 10% of the value of the plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

The actual return on scheme assets was £3,358,000 (2005: £2,953,000).

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NOTE 20 RETIREMENT BENEFIT SCHEMES (Continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows

	Year ended 2006 £'000	Year ended 2005 £'000
Present value of defined benefit obligations	40,392	33,202
Fair value of scheme assets	<u>(24,565)</u>	<u>(19,120)</u>
Deficit in scheme	15,827	14,082
Unrecognised actuarial loss	(3,879)	(2,173)
Liability recognised in the balance sheet	<u>11,948</u>	<u>11,909</u>

This amount is presented in the balance sheet as follows

Current liabilities	-	-
Non-current liabilities	<u>11,948</u>	<u>11,909</u>
	<u>11,948</u>	<u>11,909</u>

Movements in the present value of defined benefit obligations in the current period were as follows

	2006 £'000	2005 £'000
At the start of the period	33,202	26,444
Service cost	1,580	1,567
Interest cost	1,739	1,454
Actuarial gains and losses	2,812	2,972
Other movements	1,059	765
At the end of the period	<u>40,392</u>	<u>33,202</u>

LONDON UNITED BUSWAYS LIMITED
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NOTE 20 RETIREMENT BENEFIT SCHEMES (Continued)

Movements in the present value of fair value of scheme assets in the current period were as follows

	2006	2005
	£'000	£'000
At the start of the period	19,120	14,734
Expected return on scheme assets	1,392	944
Actuarial gains and losses	1,106	1,309
Contributions	1,888	1,368
Other movements	1,059	765
At the end of the period	<u>24,565</u>	<u>19,120</u>

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	Expected return		Fair value of assets	
	2006	2005	2006	2005
	%	%	£'000	£'000
Equity instruments	7.25%	7.40%	19,598	15,344
Debt instruments	4.60%	4.80%	4,891	3,738
Other assets	5.00%	4.50%	76	38
			<u>24,565</u>	<u>19,120</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 20 RETIREMENT BENEFIT SCHEMES (Continued)

The five year history of experience adjustments is as follows

	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(40,392)	(33,202)	(26,444)	(22,315)	(17,743)
Fair value of scheme assets	24,565	19,120	14,734	11,792	9,335
Deficit in the scheme	(15,827)	(14,082)	(11,710)	(10,523)	(8,408)
Experience adjustments on scheme liabilities					
Amount	(3,672)	(3,629)	(1,220)	154	(440)
Percentage of scheme liabilities (%)	9%	11%	5%	(1%)	2%
Experience adjustments on scheme assets					
Amount	1,966	1,966	700	581	(2,251)
Percentage of scheme assets (%)	8%	10%	5%	5%	(24%)

The estimated amount of contributions expected to be paid into the scheme during the current financial year is £1,964,000

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 21 RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions with related parties

	Purchases from related party		Sales to related party	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Transdev Plc	1,534	1,271	280	257
Fellow subsidiary	-	-	100	100
Bournemouth Transport Limited	-	-	239	-
	<u>1,534</u>	<u>1,271</u>	<u>619</u>	<u>357</u>

	Amounts owed to relating party		Amounts owed by relating party	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Transdev Plc	-	-	2,202	2,672
London United Limited	-	-	14,763	14,763
Fellow subsidiary	914	932	-	162
	<u>914</u>	<u>932</u>	<u>16,965</u>	<u>17,597</u>

Transdev Plc is the parent company undertaking of the smallest group in which the Company is a member Bournemouth Transport Limited is a subsidiary of Transdev Plc

London United Limited is the immediate parent undertaking of the company

NOTE 22 PARENT UNDERTAKING

The ultimate parent undertaking of the largest group of undertakings for which group accountants 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 Transdev Plc, a company registered in England and Wales The Company's immediate parent company is London United Limited, a company registered in England and Wales

NOTE 23 CONTINGENT LIABILITIES

The Company is part of a group registration scheme for VAT and is jointly and severally liable for the Transdev Plc group VAT liability

Bank and other guarantees given by the company amounted to £15,750,000 (2005 £15,750,000)

Bank debentures granted by the Company include fixed equitable charge over all present and future freehold and leasehold property, first fixed charge over, among other things, book and other debts, chattels, and goodwill, both present and future, and first floating charges over all assets and undertakings both present and future

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 24 NOTES TO THE CASH FLOW STATEMENT

	2006	2005
	£'000	£'000
Profit from operations	11,341	11,558
Adjustments for		
Depreciation of property, plant and equipment	3,311	3,498
Gain on disposal of property, plant and equipment	(32)	(163)
Non cash expense	151	85
Decrease in provisions	<u>(1,290)</u>	<u>(480)</u>
Operating cash flows before movements in working capital	13,481	14,498
Decrease / (increase) in inventories	68	(21)
Decrease in receivables	1,172	496
Increase in payables	<u>781</u>	<u>416</u>
Cash generated by operations	15,502	15,389
Income taxes paid	(4,090)	(3,621)
Interest paid	<u>(913)</u>	<u>(882)</u>
Net cash flow from operating activities	<u><u>10,499</u></u>	<u><u>10,886</u></u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 25 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 11 November 2005 and the date of transition to IFRS was therefore 13 November 2004.

Reconciliation of equity at 13 November 2004 (date of transition to IFRS)

	Effect of transition to IFRS				
	UK GAAP	Employee benefits	Deferred tax	Intangible assets	IFRS
	£'000	Note (a) £'000	Note (b) £'000	Note (d) £'000	£'000
Non current assets					
Intangible assets	-			287	287
Property, plant and equipment	36,779			(287)	36,492
Deferred tax asset	63	3,360			3,423
	<u>36,842</u>				<u>40,202</u>
Current assets					
Inventories	372				372
Trade and other receivables	25,996				25,996
Cash and cash equivalents	4,364				4,364
	<u>30,732</u>				<u>30,732</u>
Total assets	<u>67,574</u>				<u>70,934</u>
Current liabilities					
Trade and other payables	(10,709)				(10,709)
Tax liabilities	(1,386)				(1,386)
Obligations under finance lease	(1,692)				(1,692)
Borrowings	(2,550)				(2,550)
Provisions	(6,586)				(6,586)
	<u>(22,923)</u>				<u>(22,923)</u>
Net current assets	7,809				7,809
Non current liabilities					
Deferred tax liabilities	(3,869)		(2,199)		(6,068)
Obligations under finance lease	(9,233)				(9,233)
Borrowings	(4,750)				(4,750)
Retirement benefit obligations	-	(11,200)			(11,200)
	<u>(17,852)</u>				<u>(31,251)</u>
Total liabilities	<u>(40,775)</u>				<u>(54,174)</u>
Net assets	<u>26,799</u>				<u>16,760</u>
Equity					
Share capital	3,576				3,576
Share premium account	3,576				3,576
Revaluation reserve	9,030		(2,199)		6,831
Retained earnings	10,617	(7,840)			2,777
Equity shareholders' funds	<u>26,799</u>				<u>16,760</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 10 NOVEMBER 2006

NOTE 25 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of equity at 11 November 2005

	Effect of transition to IFRS				
	UK GAAP	Employee benefits Note (a)	Deferred tax Note (b)	Dividends Note (c)	Intangible assets Note (d)
	£'000	£'000	£'000	£'000	£'000
Non current assets					
Intangible assets	-				230
Property, plant and equipment	38,372				(230)
Deferred tax asset	60	3,573			
	<u>38,432</u>				<u>42,005</u>
Current assets					
Inventories	393				393
Trade and other receivables	25,500				25,500
Cash and cash equivalents	6,414				6,414
	<u>32,307</u>				<u>32,307</u>
Total assets	<u>70,739</u>				<u>74,312</u>
Current liabilities					
Trade and other payables	(13,011)			2,000	(11,011)
Tax liabilities	(1,421)				(1,421)
Obligations under finance lease	(1,692)				(1,692)
Borrowings	(4,750)				(4,750)
Provisions	(6,106)				(6,106)
	<u>(26,980)</u>				<u>(24,980)</u>
Net current assets	5,327				7,327
Non current liabilities					
Deferred tax liabilities	(3,626)		(3,289)		(6,915)
Obligations under finance lease	(7,541)				(7,541)
Retirement benefit obligation	-	(11,909)			(11,909)
	<u>(11,167)</u>				<u>(26,365)</u>
Total liabilities	<u>(38,147)</u>				<u>(51,345)</u>
Net assets	<u>32,592</u>				<u>22,967</u>
Equity					
Share capital	3,576				3,576
Share premium account	3,576				3,576
Revaluation reserve	13,505		(3,289)		10,216
Retained earnings	11,935	(8,336)		2,000	5,599
Equity shareholders' funds	<u>32,592</u>				<u>22,967</u>

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 25 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of profit for 2005

	Effect of transition to IFRS		
	UK GAAP	Employee benefits Note (a)	IFRS
	£'000	£'000	£'000
Continuing operations			
Revenue	99,857		99,857
Cost of sales	(88,100)	(199)	(88,299)
Operating profit	11,757	(199)	11,558
Investment income	359		359
Finance costs	(882)	(510)	(1,392)
Profit before tax	11,234	(709)	10,525
Tax	(3,416)	213	(3,203)
Profit for the period	7,818	(496)	7,322

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 25 EXPLANATION OF TRANSITION TO IFRS (Continued)

Notes to the reconciliation of equity and profit

Note (a) Employee benefits (IAS 19)

For UK GAAP reporting, the Company applied the measurement and recognition policies of SSAP 24 'Accounting for pension costs' for pensions and other post-employment benefits, whilst providing detailed disclosures for the alternative measurement principles of FRS 17 'Retirement Benefits'

IAS 19 takes a similar approach to accounting for defined benefit schemes as FRS 17. IAS 19 has not been applied retrospectively as allowed under IFRS 1 'First time adoption of IFRS'

Note (b) Deferred taxes (IAS 12)

Under UK GAAP, the Company recognised deferred taxation only on timing differences that arose from the inclusion of gains and losses in tax assessments in periods different from those in which they were recognised in the financial statements. Under IAS 12 'Income Taxes', deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax has therefore been recognised on the revalued amount on the freehold land and buildings.

Note (c) Recognition of dividends (IAS 10)

Under IFRS dividends declared after the balance sheet date are not recognised as a liability as at that balance sheet date.

The final dividend accrued for the 2004/05 financial year of £2,000,000 has been reversed in the IFRS balance sheet as at 11 November 2005 and has been charged to equity in the balance sheet as at 10 November 2006.

Note (d) Reclassification of tangible assets as intangible non-current assets (IAS 38)

Under IFRS acquired software licences and costs that are directly associated with the production of identifiable and unique software products controlled by the Company are classified as intangible assets. Under UK GAAP these products were classified as tangible assets and reclassified under IFRS with no impact on shareholders' funds.

Significant changes to the cash flow statement for 2004 and 2005

None of the adjustments arising from IFRS relate to cash, and therefore there is no impact on reported cash flows.

IAS 7 'Cash flow statement' extends the definition of cash to 'cash and cash equivalents' which includes movements on short-term deposits. The Company has not held any short-term deposits.