LONDON UNITED BUSWAYS LIMITED

REGISTERED NO: 2328561

FINANCIAL STATEMENTS FOR THE 56 WEEKS

ENDED 9 DECEMBER 2011

LONDON UNITED BUSWAYS LIMITED

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LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

The Directors present their report on the affairs of the Company, together with the Financial Statements for the 56 weeks ended 9 December 2011

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 RATP Dev UK 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 On the 3 March 2011 the Company was acquired by the Régie Autonome des Transport Parisiens Group, a well respected worldwide public transport company, from Transdev plc

As shown in the Company's Income Statement on page 6, the Company's turnover has increased by 17 4% over the prior year, partially brought about by the movement of the year end by 4 weeks and a full year impact of a business acquisition in 2010

The Statement of Financial Position on page 7 of the Financial Statements shows the net assets have reduced by £2,710,000 during the year

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 through fuel hedging contracts as well as improving fuel consumption through engineering maintenance and embracing the latest bus technology through the Company's Bus Procurement Policy Details of fuel hedging contracts can be found in Note 20 to the Financial Statements

The Company is also exposed to insurance costs Details of provision against claims can be found in Note 19 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

LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

Future Outlook
The Directors consider the operating conditions in London will remain very competitive However, they believe the Company's continuing focus on operational efficiencies and quality will enable the Company to generate a satisfactory result this year As a result they have adopted the going concern basis of accounting

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

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 Details of the financial instruments entered into by the Company can be seen in Note 20

Dividends
A dividend of £8,247,000 was paid during the year (2010 £NIL)

Directors and their interests
The Directors who held office during the year are listed below They held no interest in the shares of the Company The Company does not have any share options

Leslie Birchley
Richard C Casling
Karen R Fuller

Cyril Carniel appointed 3 March 2011
Maurice Bulmer appointed 25 March 2011

Derek Lott's resigned 4 November 2011
Charlie Beaumont's resigned 3 March 2011
Paul Matthews' resigned 16 April 2012
Nigel Stevens' resigned 3 March 2011
Andre McGill's resigned 17 August 2011

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

Employees
Details of the number of employees and related costs can be found in Note 5 to the Financial Statements

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 a 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

LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

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 9 December 2011, the Company had 14 days purchases unpaid (2010 16 days)

Statement as to disclosure of information to auditors
Each of the persons who is a director at the date of approval of this annual report confirms that

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- The Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors
Ernst & Young LLP has indicated its willingness to continue as auditors of the Company

Busways House
Wellington Road
Twickenham
Middlesex
TW2 5NX

By Order of the Board

R Casling
Director

Date 4/9/12

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

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year Under that law the Directors have elected to prepare Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON UNITED BUSWAYS LIMITED

We have audited the Financial Statements of London United Busways Limited for the 56 weeks ended 9 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited Financial Statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 9 December 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

J I Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor London
5 SEPTEMBER 2012

LONDON UNITED BUSWAYS LIMITED
INCOME STATEMENT
FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Continuing operations			
Revenue	2	159,486	135,813
Operating expenses		(152,638)	(129,418)
Operating profit	4	6,848	6,395
Finance income	7	134	9
Finance costs	8	(24)	(237)
Profit before taxation		6,958	6,167
Taxation	9	(1,801)	(1,778)
Profit for the period attributable to equity holders		5,157	4,389

STATEMENT OF COMPREHENSIVE INCOME
FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Profit for the period attributable to equity holders		5,157	4,389
Other comprehensive income and expense			
Net fair value gains on cash flow hedges	20	(237)	1,278
Gain on the revaluation of property		-	-
Actuarial losses on retirement benefit scheme	23	1,436	(1,237)
Tax on items taken directly to equity		(819)	112
Other comprehensive (expense)/income net of tax		380	153
Total recognised income for the period attributable to equity holders of the parent company		5,537	4,542

The notes on pages 10 to 32 are an integral part of these Financial Statements

LONDON UNITED BUSWAYS LIMITED (Registered No: 2328561)
STATEMENT OF FINANCIAL POSITION
AS AT 9 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Non current assets			
Goodwill	10	1,500	1,500
Intangible assets	11	1,344	1,633
Property, plant and equipment	12	26,753	28,364
Deferred tax asset	21	1,835	2,968
		31,432	34,465
Current assets			
Inventories	13	945	622
Trade and other receivables	14	8,839	7,048
Other financial assets	20	206	584
Cash and cash equivalents	15	11,942	20,348
		21,932	28,602
Total assets		53,364	63,067
Current liabilities			
Trade and other payables	16	10,440	11,648
Tax liabilities		634	986
Obligations under finance lease	18	469	742
Other financial liabilities	20	37	176
Provisions for liabilities and charges	19	4,902	5,691
		16,482	19,243
Non current liabilities			
Obligations under finance lease	18	-	534
Deferred tax liabilities	21	3,821	4,380
Retirement benefit obligations	23	7,121	10,260
		10,942	15,174
Total liabilities		27,424	34,417
Net assets		25,940	28,650
Equity			
Share capital	22	3,576	3,576
Share premium		3,576	3,576
Reserves		18,788	21,498
Equity shareholders' funds		25,940	28,650

The Financial Statements were approved by the Board of Directors and authorised for issue on 4th Sept 2012 and signed on its behalf by

Richard Casling
Director

The notes on pages 10 to 32 are an integral part of these Financial Statements

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

	Note	Equity share capital £'000	Share premium[1] £'000	Revaluation reserve[2] £'000	Cash flow hedging reserve[3] £'000	Retained earnings £'000	Total £'000
Balance at 14 November 2009		3,576	3,576	10,799	(629)	6,786	24,108
Comprehensive Income							
Profit for the period		-	-	-	-	4,389	4,389
Other comprehensive income							
Cash flow hedges net of tax		-	-	-	923	-	923
Gain on revaluation of property		-	-	121	-	-	121
Actuarial losses on retirement benefit scheme		-	-	-	-	(891)	(891)
Total other comprehensive income		-	-	121	923	(891)	153
Total comprehensive income		-	-	121	923	3,498	4,542
Dividends paid	8	-	-	-	-	-	-
Transfer of gains/(losses) on revaluation of property, plant and equipment		-	-	(238)	3	235	-
Balance at 12 November 2010		3,576	3,576	10,682	297	10,519	28,650
Comprehensive Income							
Profit for the period		-	-	-	-	5,157	5,157
Other comprehensive income							
Cash flow hedges net of tax		-	-	-	(170)	-	(170)
Gain/(losses) on revaluation of property		-	-	(262)	-	-	(262)
Actuarial gain on retirement benefit scheme		-	-	-	-	812	812
Total other comprehensive income		-	-	(262)	(170)	812	380
Total comprehensive income		-	-	(262)	(170)	5,969	5,537
Dividends paid	8					(8,247)	(8,247)
Transfer of gains/(losses) on revaluation of property, plant and equipment				(256)		256	-
Balance at 9 December 2011		3,576	3,576	10,164	127	8,497	25,940

The notes on pages 10 to 32 are an integral part of these Financial Statements

[1] **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

[2] **Revaluation reserve**
The revaluation reserve is used to record the movement in the market value of freehold land and buildings This reserve is not distributable

[3] **Cash flow hedging reserve**
The Cash flow hedging reserve is disclosed in financial instruments note 19

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF CASH FLOWS
FOR THE 56 WEEKS ENDED 9 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net cash from operating activities	27	2,804	19,481
Cash flows from investing activities			
Interest received		83	9
Proceeds on disposal of property, plant and equipment		250	575
Purchases of intangible assets		(27)	(400)
Purchases of property, plant and equipment		(2,527)	(1,906)
Acquisition of business operations		-	(2,191)
Net cash used in investing activities		(2,221)	(3,913)
Cash flows from financing activities			
Dividends paid		(8,247)	-
Repayments of obligations under finance lease		(742)	(1,084)
Net cash used in financing activities		(8,989)	(1,084)
Net increase in cash and cash equivalents		(8,406)	14,484
Cash and cash equivalents			
At beginning of period		20,348	5,864
Net increase in cash and cash equivalents		(8,406)	14,484
At end of period		11,942	20,348

The notes on pages 10 to 32 are an integral part of these Financial Statements

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

London United Busways Limited is a company incorporated in the United Kingdom under the Companies Act 2006 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 the 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 on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below The principal accounting policies adopted are set out below

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Statements in accordance with IFRS 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 adequacy of provisions for claims to the extent that they are not covered by insurance policies, and the impairment of assets

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 the 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

BUSINESS COMBINATIONS AND GOODWILL

All business combinations are accounted for by applying the purchase method

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss

BUSINESS COMBINATIONS AND GOODWILL (Continued)

At the acquisition date of a subsidiary or business operation, goodwill acquired is recognised as an asset Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination

Recoverable amounts of the cash-generating units are based on value in use The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money Changes in fare and contract prices and direct costs are based on past experience and expectations of future changes in the market

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised Any impairment is recognised immediately in the income statement and is not subsequently reversed

IMPAIRMENT OF ASSETS

The Company assesses whether there are any indicators of impairment for all assets at each reporting date Goodwill is allocated to cash-generating units for the purpose of impairment testing The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss The recoverable amount is the higher of fair value less costs to sell and the value-in-use to the Company An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount

In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows

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 increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses 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

Freehold land is not depreciated Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

PROPERTY, PLANT AND EQUIPMENT (Continued)
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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate

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

INTANGIBLE ASSETS
Intangible assets consists of computer software and associated implementation costs of that software None of the costs are internally generated Intangible assets are stated at cost, less accumulated amortisation and any impairment losses

Amortisation is charged to write off the cost over their useful lives using the straight line method from 3 to 10 years

ASSETS UNDER CONSTRUCTION
Consists of the historical cost of assets under construction and not in use as at the Balance Sheet date Depreciation is not charged against the asset until its completion and it has started to be utilised

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

FINANCIAL INSTRUMENTS (Continued)

Trade receivables:
Trade receivables do not carry any interest and are stated at their nominal 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

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 as 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 uses 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

The actuarial gains and losses arising are charged or credited to reserves through the statement of comprehensive income

LONDON UNITED BUSWAYS LIMITED
PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFIT COSTS (Continued)

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

The Company also operates a defined contributory retirement scheme The contributions of this scheme are recognised as an expense when they fall due

TAXATION

The tax expense represents the sum of the current tax 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

The Company has not applied the following IFRS and IFRIC that are applicable to the Company and that have been issued but are not yet effective

New/revised international financial reporting standards		Effective date
IAS 12	Income taxes – Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 1	Presentation of Financial Statements	Annual periods beginning on or after 1 July 2012
IAS 19	Employee Benefits	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013

The Directors do not expect that the adoption of the below pronouncements will have a material impact to the Financial Statements in the period of initial application other than disclosure

NOTE 2 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 3 OPERATING PROFIT

Operating profit is stated after charging / (crediting)

	2011 £'000	2010 £'000
Auditor's remuneration - Audit services	48	53
- Other services	3	2
Operating lease expenses		
- Plant and machinery	13,021	10,283
- Land and buildings	1,068	771
Amortisation of intangible assets	258	203
Depreciation of property, plant and equipment	2,613	2,448
Depreciation of property, plant and equipment held under finance leases and hire purchase contracts	1,318	1,314
Profit on disposal of property, plant and equipment	(43)	-
Cost of inventories recognised as expense	19,288	16,356

NOTE 4 DIRECTORS' EMOLUMENTS

During the period the Directors received emoluments totalling £446,358 (2010 £418,391)

	2011 £'000	2010 £'000
Emoluments	446	418
Contribution to money purchase scheme	30	28
	476	446

The highest paid Director received emoluments of £131,167 (2010 £146,126) and is entitled to an accrued annual pension of £5,258 (2010 £3,307) The number of Directors to whom final salary retirement benefits are accruing is 2 (2010 2) The number of Directors to whom money purchase retirement benefits are accruing is 2 (2010 2)

NOTE 5 STAFF COSTS

Staff costs during the period amounted to

	2011 £'000	2010 £'000
Wages and salaries	86,108	73,099
Social security	8,470	7,189
Other pension costs	1,862	1,269
	96,440	81,557

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

	2011 Number	2010 Number
Bus operations	2,320	2,210
Engineering and maintenance	162	143
Management and administration	75	78
	2,557	2,431

NOTE 6 FINANCE INCOME

	2011 £'000	2010 £'000
Interest on bank and other deposits	83	9
Net pension finance income	51	0
	134	9

NOTE 7 FINANCE COSTS

	2011 £'000	2010 £'000
Interest on obligations under finance leases	13	31
Interest and similar charges in respect of other loans	11	29
Net pension finance costs	-	177
	24	237

NOTE 8 TAXATION

	2011 £'000	2010 £'000
Current Taxation		
- UK Corporation tax	2,031	2,012
- Prior year	15	29
Deferred Taxation		
- Current year	(136)	(263)
- Change in tax rate	(109)	-
	1,801	1,778

NOTE 8 TAXATION (Continued)

The tax expense in the Income Statement for the period is lower than the standard rate of the corporation tax in the UK of 27% (2010 28%) The difference is reconciled below

	2011 £'000	2010 £'000
Profit before tax	6,958	6,167
Tax at the UK corporation tax rate of 27% (2010 28%)	1,859	1,727
Adjustment to tax and deferred tax charge in respect of previous periods	15	29
Effect of a change in tax rate	(109)	-
Permanent differences	36	22
Total tax charge for the period	1,801	1,778

Disclosure of tax effects relating to each component of other comprehensive income

	2011 Before tax amount £'000	2011 Tax (expense)/ benefit £'000	2011 After tax amount £'000	2010 Before tax amount £'000	2010 Tax (expense)/ benefit £'000	2010 After tax amount £'000
Cash flow hedges	(237)	67	(170)	1,278	(355)	923
Gains /(losses) on revaluation of property	-	(262)	(262)	-	121	121
Actuarial gains/(losses) on defined benefit pension scheme	1,436	(624)	812	(1,237)	346	(891)
	1,199	(819)	380	41	112	153

The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 As this change was substantively enacted on 5 July 2011 and therefore before the balance sheet date, deferred tax is recognised at 25% in the current period

On 21 March 2012, the Chancellor announced that the main rate of corporation tax will in fact reduce from 26% to 24% from 1 April 2012, with further reductions to the main rate to reduce the rate by 1% per annum to 22% by 1 April 2014 The overall effect of the further changes from 25% to 22%, if these were applied to the deferred tax balance at 31 December 2011, would be to reduce the net deferred tax liability by £238,000

NOTE 9 DIVIDENDS

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period		
Dividends of 230 6p (2010 NIL) per share	8,247	-
Total dividends for the year	8,247	-

Dividends paid after the year end but before the approval of the Financial Statements amounted to £Nil

NOTE 10 GOODWILL

COST AND CARRYING AMOUNT	Total £'000
At 12 November 2010	1,500
At 9 December 2011	1,500

Goodwill has been measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts covering a five-year period and is allocated to the appropriate cash generating unit In the case of goodwill in NSL Challenger, the period reviewed in terms of financial forecasts is five years The key assumptions for the value in use calculations are those regarding the discount rates, routes contribution and expected changes to direct costs during the period The rate used to discount the forecast cash flows from each unit is 9 3%

NOTE 11 INTANGIBLE ASSETS

	Software	Assets under Construction	Other	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 14 November 2009	1,743	150	-	1,893
Additions	127	150	-	277
Transfer from Group Company	-	-	123	123
Asset category reallocation	150	(150)	-	-
At 12 November 2010	2,020	150	123	2,293
Additions	22	5	-	27
Asset category reallocation	92	(92)	-	-
Disposals	-	(58)	-	(58)
At 9 December 2011	2,134	5	123	2,262
Amortisation				
At 14 November 2009	457	-	-	457
Charge for the period	187	-	16	203
At 12 November 2010	644	-	16	660
Charge for the period	241	-	17	258
At 9 December 2011	885	-	33	918
Carrying amount				
At 9 December 2011	1,249	5	90	1,344
At 12 November 2010	1,376	150	107	1,633

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

	Freehold land & buildings	Leasehold improve-ments	Assets under Construction	Buses	Other assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 14 November 2009	19,625	1,991	389	32,819	5,508	60,332
Additions	47	257	350	909	144	1,707
Asset category reallocation	94	213	(389)	1	81	-
Disposals	-	-	-	(2,203)	(25)	(2,228)
Transfer from Group Company	-	-	-	-	199	199
At 12 November 2010	19,766	2,461	350	31,526	5,907	60,010
Additions	268	308	917	804	230	2,527
Asset category reallocation	-	-	(350)	8	342	-
Disposals	-	-	-	(6,363)	(13)	(6,376)
At 9 December 2011	20,034	2,769	917	25,975	6,466	56,161
Amortisation						
At 14 November 2009	-	1,199	-	24,010	4,328	29,537
Charge for the period	308	221	-	2,784	449	3,762
Eliminated on disposal	-	-	-	(1,628)	(25)	(1,653)
At 12 November 2010	308	1,420	-	25,166	4,752	31,646
Charge for the period	384	327	-	2,711	509	3,931
Eliminated on disposal	-	-	-	(6,156)	(13)	(6,169)
At 9 December 2011	692	1,747	-	21,721	5,248	29,408
Carrying amount						
At 9 December 2011	19,342	1,022	917	4,254	1,218	26,753
At 12 November 2010	19,458	1,041	350	6,360	1,155	28,364

Land and buildings were revalued in November 2009 by Cluttons, International Real Estate Consultants, independent valuers and not connected with the Company, on the basis of market value At 9 December 2011, 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 £3,568,000 (2010 £3,584,000)

The revaluation surplus is disclosed in the statement of changes in equity (page 8)

At 9 December 2011 the carrying amount of buses leased and hire purchased was £1,736,000 (2010 £3,123,000), all of which is pledged as security

NOTE 13 INVENTORIES

	2011 £'000	2010 £'000
Finished goods	945	622

Inventories consist of spare parts and fuel reserves

NOTE 14 TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
Trade receivables	4,520	4,157
Amount due from related companies – Note 23	1,000	-
Other receivables	828	760
Prepayments	2,491	2,131
	8,839	7,048

Trade receivables are primarily due from one counterparty, however the Directors do not consider the Company to be significantly exposed to credit risk because the debtor is a government body

The Directors consider that the carrying amount of trade receivables approximates to their fair value No provision has been made against trade debtors There are no debtors past due

NOTE 15 CASH AND CASH EQUIVALENTS

	2011 £'000	2010 £'000
Cash at bank and in hand	11,942	20,348

The effective interest rate on short term deposits was 3 5% (2010 0 2%)

NOTE 16 TRADE AND OTHER PAYABLES

	2011 £'000	2010 £'000
Trade payables	2,035	2,055
Other taxations and social security	3,025	3,571
Amount due to related companies (Note 23)	450	392
Accruals and deferred income	4,930	5,630
	10,440	11,648

NOTE 17 OPERATING LEASE COMMITMENTS

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

	Land & buildings 2011 £'000	Other 2011 £'000	Land & buildings 2010 £'000	Other 2010 £'000
Within one year	941	11,958	929	10,708
In two to five years	3,541	29,523	3,693	30,681
Over five years	2,426	809	3,155	4,089
	6,908	42,290	7,777	45,478

The operating lease commitments Other category represents buses

NOTE 18 OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease Payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under finance leases				
Within one year	473	754	469	742
In the second to fifth years inclusive	-	537	-	534
After five years	-	-	-	-
	473	1,291	469	1,276
Less future finance charges	4	15		
Present value of lease obligations	469	1,276		
Amount due for settlement within 12 months (shown under current liabilities)			469	742
Amount due for settlement after 12 months			-	534

All financial leases are Hire Purchase Agreements where the Company will take ownership of the asset at the end of its term

Amounts due on hire purchase or finance leases are secured on the underlying assets

NOTE 19 PROVISIONS FOR LIABILITIES AND CHARGES

	Claims	Holiday Pay	Other	Total
	£'000	£'000	£'000	£'000
At 14 November 2009	5,563	111	139	5,813
Charge for the period	2,051	47	-	2,098
Utilised during the period	(1,900)	(45)	(139)	(2,084)
Reversed during the period	(136)	-	-	(136)
At 12 November 2010	5,578	113	-	5,691
Charge for the period	2,871	3	-	2,874
Utilised during the period	(3,330)	(53)	-	(3,383)
Reversed during the period	(280)	-	-	(280)
At 9 December 2011	4,839	63	-	4,902
Included in current liabilities				4,902

Claims
Provision is made for claims against the Company to the extent that they are not covered by insurance policies There is a level of uncertainty as to the timing of the outflows for these provisions

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 We are unable to predict the timing of these outflows

Other
The Company has made provision for the costs to bring vehicles up to return conditions in compliance with operating lease contracts for vehicles that have come to the end of their lease

NOTE 20 FINANCIAL INSTRUMENTS

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to commodity price risk The Company does not hold or issue derivative financial instruments for speculative purposes The Company's transport operations consume 22 7 million litres of diesel fuel per annum As a result, the Company's profits are exposed to the movement in the underlying price of crude oil, which is the major driver of diesel prices The Company manages the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivatives are used to fix or cap the variable unit cost of anticipated fuel consumption

NOTE 20 FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments are classified on the balance sheet as at 9 December 2011 as set out below

	2011 £'000	2010 £'000
Other financial assets	206	584
Other financial liabilities	(37)	(176)
Net other financial assets	169	408

The notional amount of fuel covered by derivatives financial instruments as at 9 December 2011 was 17 6 million litres (2010 15 3 million litres)

There were no embedded derivatives as at 9 December 2011 which IAS 39 requires to be separately accounted for

Cash flow hedges

The fuel derivatives hedge the underlying commodity price risk (denominated in $US) The fuel derivatives include fixed price swaps and collars The collars are hedges against the price of fuel being above a certain capped level or below a certain floor level

The fair value of fuel derivatives as at 9 December 2011 was an asset of £169,000 (2010 £408,000) The movements in the fair value of fuel derivatives in the year ended 9 December 2011 were as follows

	2011 £'000	2010 £'000
Fuel derivatives		
Fair values as at 12 November 2010	408	(856)
Changes in fair value during the period taken to cash flow hedging reserve	(237)	1,278
Changes in fair value during the period taken directly to income statement	(2)	(14)
Fair value as at 9 December 2011	169	408

Trade and other receivables	8,839	7,048
Cash and cash equivalents	11,942	20,348
	20,781	27,396
Derivatives used for hedging	206	584
	20,987	27,980
Trade and other payables	10,440	11,648
Finance lease liabilities	469	1,276
	10,909	12,924
Derivatives used for hedging	37	176
	10,946	13,100

NOTE 20 FINANCIAL INSTRUMENTS (Continued)

The fair value of the fuel derivatives as at 9 December 2011 split by maturity is as follows

	Fair value of assets 2011 £'000	Fair value of assets 2010 £'000
Within one year	206	584

	Fair value of liabilities 2011 £'000	Fair value of liabilities 2010 £'000
Within one year	37	176

The fair value of the fuel derivatives shown at 9 December 2011 does not correspond to the amount of the related cash flow hedging reserve at these dates The amounts differ because the ineffective portion of the hedging instruments is dealt with directly in the income statement

The movements in the cash flow hedging reserve (all of which related to the above fuel derivatives in the period ended 9 December 2011) were as follows

Cash flow hedging reserve	£'000
Fair value as at 14 November 2009	626
Changes in fair value during the period taken to cash flow hedging reserve	(1,278)
Tax effect of cash flow hedges	355
Cash flow hedging reserve as at 12 November 2010	(297)
Changes in fair value during the period taken to cash flow hedging reserve	237
Tax effect of cash flow hedges	(67)
Cash flow hedging reserve as at 9 December 2011	(127)

The table below summarises the maturity of the Company's cash flow hedges at the 9 December 2011 based on contracted undiscounted receipts and payments

2010	<3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
Derivatives used for hedging	(17)	(280)	-	-	(297)
	(17)	(280)	-	-	(297)
2011					
Derivatives used for hedging	(53)	(74)	-	-	(127)
	(53)	(74)			(127)

NOTE 20 FINANCIAL INSTRUMENTS (Continued)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, whilst maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, compromising issued capital, reserves and retained earnings as disclosed in note 22 and the statement of changes in equity

Categories of financial instruments

	Carrying value 2011 £'000	Carrying value 2010 £'000
Financial assets		
Trade and other receivables	8,839	7,048
Cash and cash equivalents	11,942	20,348
Other financial assets	206	584
	20,987	27,980
Financial liabilities		
Trade and other payables	10,440	11,648
Other financial liabilities	37	176
	10,477	11,824
	10,510	16,156

Financial risk management objectives

The Company's activities expose it to certain financial risks This price risk relates primarily to fuel prices The Company is not significantly exposed to foreign exchange risk, credit risk and other cash flow risk Management reviews financial risks regularly in accordance with Company policies The Company currently uses a limited number of financial instruments to manage certain risks but does not hold financial instruments for speculative reasons

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables The Directors consider that the concentration of credit risk with regard to bank balances is minimised by the use of quality financial institutions

The trade receivables balance primarily represents the amounts owing from Transport for London and other local government transport organisations These sums are contractually agreed and are received according to the terms of the individual contracts Therefore there is no credit risk exposure or any significant payment delay beyond contractual terms

NOTE 20 FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives (Continued)

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities at 9 December 2011 based on contracted undiscounted payments

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
2011						
Trade and other payables	792	9,381	267	-	-	10,440
Finance lease liabilities	-	185	284	-	-	469
Derivatives used for hedging	-	18	19	-	-	37
	792	9,584	570	-	-	10,946

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
2010						
Trade and other payables	1,104	10,263	281	-	-	11,648
Finance lease liabilities	-	185	557	534	-	1,276
Derivatives used for hedging	-	176	-	-	-	176
	1,104	10,624	838	534	-	13,100

Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of the fair value measurements by level of the following fair value measurement hierarchy

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 fair value measurements are those derived valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's derivative financial assets and liabilities are categorised as Level 1 as per the above definition

NOTE 21 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	Cash flow hedging obligation £'000	Temporary differences £'000	Total £'000
At 14 November 2009	(2,226)	(2,818)	2,931	251	75	(1,787)
Credit / (charge) to income	708	(6)	(404)	(6)	(29)	263
Credit / (charge) to equity	-	121	346	(355)	-	112
At 12 November 2010	(1,518)	(2,703)	2,873	(110)	46	(1,412)
Credit / (charge) to income	735	10	(469)	-	(31)	245
Credit / (charge) to equity	-	(262)	(624)	67	-	(819)
At 9 December 2011	(783)	(2,955)	1,780	(43)	15	(1,986)

The deferred tax related to cash flow hedging in the above table is shown as a net position of the deferred tax asset £9,000 (2010 £49,000) and the deferred tax liability £52,000 (2010 £159,000) and the temporary differences as a net position of the deferred tax asset £46,000 (2010 £nil) and the deferred tax liability £31,000 (2010 £nil)

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

	2011 £'000	2010 £'000
Deferred tax liabilities	(3,821)	(4,380)
Deferred tax assets	1,835	2,968
	(1,986)	(1,412)

NOTE 22 ISSUED SHARE CAPITAL & RESERVES

	2011 & 2010 £'000
Issued share capital	
Called up, allotted and fully paid ordinary shares 3,576,500 of £1 each	3,576

NOTE 23 RETIREMENT BENEFIT SCHEME

Defined benefit scheme

The Company operates a defined benefit scheme for qualifying employees of the Company Under the scheme, 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 scheme is a funded scheme

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 1 January 2011 updated to 9 December 2011 by Ms K Leach, Fellow of the Institute of Actuaries and Faculty 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

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

	Valuation at	
	2011	**2010**
Key assumption used		
Discount rate	5 00%	5 40%
Expected long term rate of return on scheme assets	6 75%	6 84%
Expected rate of salary increases	3 40%	3 90%
Future pension increases	2 90%	3 40%

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

	2011	**2010**
	£'000	**£'000**
Current service cost	1,854	1,304
Interest cost	2,886	2,529
Expected return on scheme assets	(2,937)	(2,352)
Past service cost	-	-
	1,803	1,481

Of the charge for the period, £1,854,000 (2010 £1,304,000) has been included in operating expenses

An amount of £1,436,000 for 2011 (2010 (£1,237,000)) of actuarial gains/(losses) has been recognised in the statement of comprehensive income

The actual return on scheme assets was £713,000 (2010 £3,198,000)

NOTE 23 RETIREMENT BENEFIT SCHEME (Continued)

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement scheme is as follows

	2011 £'000	2010 £'000
Present value of defined benefit obligations	49,828	49,066
Fair value of scheme assets	(42,707)	(38,806)
Deficit in scheme recognised in the balance sheet	7,121	10,260
Current liabilities	-	-
Non-current liabilities	7,121	10,260
	7,121	10,260

The above deficit includes a cumulative amount of £901,000 (2010 £2,166,000) of actuarial gains recognised in the statement of comprehensive income

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

	2011 £'000	2010 £'000
At the start of the period	49,066	43,639
Service cost	1,854	1,304
Interest cost	2,886	2,529
Actuarial (gain) / loss	(3,660)	2,083
Transfer to the scheme	171	-
Benefits paid	(1,971)	(2,039)
Plan participants' contributions	1,482	1,550
At the end of the period	49,828	49,066

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

	2011 £'000	2010 £'000
At the start of the period	38,806	33,172
Expected return on scheme assets	2,937	2,352
Actuarial (loss) / gain	(2,224)	846
Transfer to the scheme	171	-
Benefits paid	(1,971)	(2,039)
Contributions	3,506	2,925
Plan participants' contributions	1,482	1,550
At the end of the period	42,707	38,806

NOTE 23 RETIREMENT BENEFIT SCHEME (Continued)

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	
	2011	2010	2011	2010
	%	%	£'000	£'000
Equity instruments	6 00	7 20	26,350	25,224
Debt instruments	4 16	5 40	12,812	9,702
Other assets	6 00	7 20	3,545	3,880
			42,707	38,806

The five year history of experience adjustments is as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligations	(49,828)	(49,066)	(43,639)	(30,752)	(38,823)
Fair value of scheme assets	42,707	38,806	33,172	23,546	28,800
Deficit in the scheme	(7,121)	(10,260)	(10,467)	(7,206)	(10,023)
Experience gain / (loss) on scheme liabilities					
Amount	2,505	(575)	(9,990)	11,856	5,831
Percentage of scheme liabilities (%)	5%	(1%)	(23%)	39%	15%
Experience adjustments on scheme assets					
Amount	(2,224)	846	4,997	(9,777)	33
Percentage of scheme assets (%)	(5%)	2%	15%	(42%)	0%

The estimated amount of contributions expected to be paid into the scheme during the next financial year is £4,576,000

Defined Contribution scheme

The Company also operates a defined contribution pension scheme The charge to the income statement for this scheme in the year was £3,000 (2010 £2,000) Included in other creditors is £8,000 (2010 £NIL) in respect of unpaid contributions

NOTE 24 RELATED PARTY TRANSACTIONS

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

	Purchases from related party		Sales to related party	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
RATP Dev UK Limited	1,946	-	105	-
Transdev Plc	-	3,058	-	175
London Sovereign Limited	-	-	-	100
Bournemouth Transport Limited	-	-	267	186
Transdev Blazefield Limited	-	88	-	-
Bath Bus Company Limited	-	-	114	-
	1,946	3,146	486	461

	Amounts owed to related party		Amounts owed by related party	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
RATP Dev UK Limited	450	-	1,000	-
Transdev Plc	-	408	-	-
London Sovereign Limited	-	27	-	-
Bournemouth Transport Limited	-	64	-	-
Transdev Blazefield Limited	-	69	-	-
	450	568	1,000	-

RATP Dev UK Limited is the parent company undertaking of the smallest group in which the Company is a member Bournemouth Transport Limited and Bath Bus Company Limited are subsidiaries of RATP Dev UK Limited (2010 Bournemouth Transport Limited, London Sovereign and Transdev Blazefield were subsidiaries of the previous holding company Transdev Plc)

RATP Dev UK Limited is the immediate parent undertaking of the Company

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties

NOTE 25 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 Régie Autonome des Transports Parisiens The accounts of Régie Autonome des Transports Parisiens are available at 54, Quai de la Rapée - LAC LA 30, 75012 Paris The Company's immediate parent company is RATP Dev UK Limited, a company registered in England and Wales

NOTE 26 CONTINGENT LIABILITIES

The Company is part of a group registration scheme for VAT and is jointly and severally liable for the RATP Dev UK VAT liability £NIL (2010 Transdev Plc Group - £192,000)

Bank and other guarantees given by the Company amounted to £6,596,000 (2010 £5,769,000)

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

NOTE 27 NOTES TO THE STATEMENT OF CASH FLOWS

	2011 £'000	2010 £'000
Profit from operations	6,848	6,395
Adjustments for		
Amortisation of intangible assets	258	203
Depreciation of property, plant and equipment	3,931	3,762
Gain on disposal of property, plant and equipment	(42)	-
Non cash expense	(1,897)	291
Decrease/increase in financial instruments	239	(1,264)
Decrease in provisions	(789)	(122)
Operating cash flows before movements in working capital	8,548	9,265
(Increase)/decrease in inventories	(323)	(171)
(Increase)/decrease in receivables	(1,791)	15,222
Decrease in payables	(1,208)	(2,979)
Cash generated by operations	5,226	21,337
Income taxes paid	(2,398)	(1,619)
Interest paid	(24)	(237)
Net cash flow from operating activities	2,804	19,481