

LONDON UNITED BUSWAYS LIMITED
REGISTERED NUMBER: 02328561 (England and Wales)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

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LONDON UNITED BUSWAYS LIMITED

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FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

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LONDON UNITED BUSWAYS LIMITED

COMPANY INFORMATION
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

DIRECTORS:

L Birchley
R Casling
K Fuller
C Carniel
M Bulmer

REGISTERED OFFICE:

Busways House
Wellington Road
Twickenham
Middlesex
TW2 5NX

REGISTERED NUMBER: 02328561 (England and Wales)

COMPANY SECRETARY: R Casling

AUDITORS:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

LONDON UNITED BUSWAYS LIMITED

REPORT OF THE DIRECTORS **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

The Directors present their report with the financial statements of the Company for the period 10 December 2011 to 7 December 2012.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

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 period 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 period. 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 decreased by 6.07% over the prior year, due to the previous period being 4 weeks longer than the current period.

The Statement of Financial Position on page 8 and 9 of the Financial Statements shows the net assets have reduced by £6,868,000 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.

DIVIDENDS

No interim dividend was paid during the period. The Directors recommend a final dividend of 124.19 pence per share.

The total distribution of dividends for the period ended 7 December 2012 are £4,442,000.

DIRECTORS

The Directors shown below have held office during the whole of the period from 10 December 2011 to the date of this report.

L Birchley
R Casling
K Fuller
C Carniel
M Bulmer
P Matthews - resigned 16 April 2012

LONDON UNITED BUSWAYS LIMITED

REPORT OF THE DIRECTORS
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012 - CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors 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 the financial statements in accordance with International Financial Reporting Standards as adopted by 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Ernst & Young LLP, have indicated their willingness to continue as auditors to the company for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
R Casling - Director

Date: 14th August 2013

**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 period ended 7 December 2012 on pages 6 to 39. 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 Report of the Directors 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 7 December 2012 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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
1 More London Place
London
SE1 2AF

Date: *15 AUGUST 2013*
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LONDON UNITED BUSWAYS LIMITED**INCOME STATEMENT**
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

		Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
	Notes		
CONTINUING OPERATIONS			
Revenue		149,793	159,486
Administrative expenses		<u>(146,010)</u>	<u>(152,638)</u>
OPERATING PROFIT		3,783	6,848
Finance costs	4	(145)	(24)
Finance income	4	<u>194</u>	<u>134</u>
PROFIT BEFORE INCOME TAX	5	3,832	6,958
Income tax	7	<u>(940)</u>	<u>(1,801)</u>
PROFIT FOR THE PERIOD		<u>2,892</u>	<u>5,157</u>

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
PROFIT FOR THE PERIOD	2,892	5,157
OTHER COMPREHENSIVE INCOME		
Net fair value gains on cash flow hedges	(55)	(237)
Actuarial losses/(gains) on retirement benefit	(7,287)	1,436
Tax on items taken directly to equity	<u>2,024</u>	<u>(819)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>(5,318)</u>	<u>380</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(2,426)</u>	<u>5,537</u>

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED**STATEMENT OF FINANCIAL POSITION**
7 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	1,500	1,500
Intangible assets	10	1,119	1,344
Property, plant and equipment	11	24,735	26,753
Deferred tax	23	<u>3,066</u>	<u>1,835</u>
		<u>30,420</u>	<u>31,432</u>
CURRENT ASSETS			
Inventories	12	868	945
Trade and other receivables	13	17,608	8,839
Tax receivable		627	-
Other financial assets	21	133	206
Cash and cash equivalents	15	<u>3,306</u>	<u>11,942</u>
		<u>22,542</u>	<u>21,932</u>
TOTAL ASSETS		<u>52,962</u>	<u>53,364</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	3,576	3,576
Share premium	17	3,576	3,576
Revaluation reserve	17	10,401	10,164
Other reserves	17	88	127
Retained earnings	17	<u>1,431</u>	<u>8,497</u>
TOTAL EQUITY		<u>19,072</u>	<u>25,940</u>

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

STATEMENT OF FINANCIAL POSITION - continued
7 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings			
Obligations under finance lease	19	42	-
Pension liability	24	13,240	7,121
Deferred tax	23	<u>2,809</u>	<u>3,821</u>
		<u>16,091</u>	<u>10,942</u>
CURRENT LIABILITIES			
Trade and other payables	18	13,840	10,477
Financial liabilities – borrowings			
Obligations under finance lease	19	9	469
Tax payable		-	634
Provisions	22	<u>3,950</u>	<u>4,902</u>
		<u>17,799</u>	<u>16,482</u>
TOTAL LIABILITIES		<u>33,890</u>	<u>27,424</u>
TOTAL EQUITY AND LIABILITIES		<u>52,962</u>	<u>53,364</u>

The financial statements were approved by the Board of Directors on 14th August 2013 and were signed on its behalf by:



.....
R Casling - Director

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 13 November 2010	3,576	10,519	3,576
Changes in equity			
Dividends	-	(8,247)	-
Total comprehensive income	-	<u>6,225</u>	-
Balance at 9 December 2011	<u>3,576</u>	<u>8,497</u>	<u>3,576</u>
Changes in equity			
Dividends	-	(4,442)	-
Total comprehensive income	-	<u>(2,624)</u>	-
Balance at 7 December 2012	<u>3,576</u>	<u>1,431</u>	<u>3,576</u>

	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 13 November 2010	10,682	297	28,650
Changes in equity			
Dividends	-	-	(8,247)
Total comprehensive income	<u>(518)</u>	<u>(170)</u>	<u>5,537</u>
Balance at 9 December 2011	<u>10,164</u>	<u>127</u>	<u>25,940</u>
Changes in equity			
Dividends	-	-	(4,442)
Total comprehensive income	<u>237</u>	<u>(39)</u>	<u>(2,426)</u>
Balance at 7 December 2012	<u>10,401</u>	<u>88</u>	<u>19,072</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. This reserve is not distributable.

Other reserves

The other reserves relates to the Cash flow hedging reserve which is disclosed in financial instruments note 21.

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Cash flows from operating activities		
Cash generated from operations 1	434	6,021
Interest element of finance lease payments paid	(20)	(13)
Finance costs paid	-	(11)
Non cash expenses	-	(6)
Decrease in provisions	(952)	(789)
Tax paid	<u>(2,420)</u>	<u>(2,398)</u>
Net cash from operating activities	<u>(2,958)</u>	<u>2,804</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(18)	(27)
Purchase of tangible fixed assets	(1,093)	(2,527)
Sale of tangible fixed assets	150	250
Interest received	<u>194</u>	<u>83</u>
Net cash from investing activities	<u>(767)</u>	<u>(2,221)</u>
Cash flows from financing activities		
Capital repayments in year	(469)	(742)
Equity dividends paid	<u>(4,442)</u>	<u>(8,247)</u>
Net cash from financing activities	<u>(4,911)</u>	<u>(8,989)</u>
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(8,636)	(8,406)
Cash and cash equivalents at beginning of period 2	<u>11,942</u>	<u>20,348</u>
Cash and cash equivalents at end of period 2	<u>3,306</u>	<u>11,942</u>

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Profit before income tax	3,832	6,958
Depreciation charges	3,360	4,189
Profit on disposal of fixed assets	(105)	(42)
Finance costs	145	24
Finance income	<u>(194)</u>	<u>(134)</u>
	7,038	10,995
Decrease/(increase) in inventories	77	(323)
Increase in trade and other receivables	(8,769)	(1,791)
Increase/(decrease) in trade and other payables	3,381	(1,208)
Difference between pension charge and cash contributions	<u>(1,293)</u>	<u>(1,652)</u>
Cash generated from operations	<u>434</u>	<u>6,021</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Period ended 7 December 2012

	7/12/12 £'000	10/12/11 £'000
Cash and cash equivalents	<u>3,306</u>	<u>11,942</u>

The notes form part of these financial statements

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

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 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 2.

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.

2. 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 valuation of defined pension benefits, 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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

2. ACCOUNTING POLICIES - continued

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.

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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

2. ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets consist 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

Assets under construction consist 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 construction is completed and it has started to be utilised.

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 an 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.

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 period 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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

2. ACCOUNTING POLICIES - continued

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 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.

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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

2. ACCOUNTING POLICIES - continued

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

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 recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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.

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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

2. ACCOUNTING POLICIES - continued

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.

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.

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.

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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

2. ACCOUNTING POLICIES - continued

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.

3. EMPLOYEES AND DIRECTORS

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Wages and salaries	78,634	86,108
Social security costs	7,983	8,470
Other pension costs	<u>3,399</u>	<u>1,862</u>
	<u>90,016</u>	<u>96,440</u>

The average monthly number of employees during the period was as follows:

	Period 10/12/11 to 7/12/12	Period 13/11/10 to 9/12/11
Bus operation	2,230	2,320
Engineering and maintenance	158	162
Management and administration	<u>90</u>	<u>75</u>
	<u>2,478</u>	<u>2,557</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

3. EMPLOYEES AND DIRECTORS - continued

	Period 10/12/11 to 7/12/12 £	Period 13/11/10 to 9/12/11 £
Directors' remuneration	<u>480,043</u>	<u>476,167</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	3	2
Defined benefit schemes	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	Period 10/12/11 to 7/12/12 £	Period 13/11/10 to 9/12/11 £
Emoluments	138,984	131,167
Accrued pension at 7 December 2012	<u>7,434</u>	<u>5,258</u>

4. NET FINANCE INCOME

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Finance income:		
Deposit account interest	194	83
Net pension finance income	<u>-</u>	<u>51</u>
	<u>194</u>	<u>134</u>
Finance costs:		
Hire purchase	20	13
Other loans	-	11
Net pension finance costs	<u>125</u>	<u>-</u>
	<u>145</u>	<u>24</u>
Net finance income	<u>49</u>	<u>110</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Cost of inventories recognised as expense	20,864	19,288
Hire of plant and machinery	12,947	13,021
Other operating leases	1,030	1,068
Depreciation - owned assets	3,117	3,931
Profit on disposal of fixed assets	(105)	(43)
Other amortisation	17	17
Computer software amortisation	<u>226</u>	<u>241</u>

6. AUDITOR'S REMUNERATION

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Fees payable to the company's auditors for other services:		
Audit services	41	48
Other services	<u>4</u>	<u>3</u>

7. INCOME TAX

Analysis of tax expense

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Current tax:		
UK corporation Tax	1,158	2,031
Prior year	1	15
Deferred tax:		
Current year	(157)	(136)
Change in tax rate	(62)	(109)
Total tax expense in income statement	<u>940</u>	<u>1,801</u>

Tax on Items charged to equity

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Net fair gains on cash flow hedges	16	67
Actuarial losses/(gains) on retirement benefits	1,533	(624)
Gains / losses on revaluation of property	<u>475</u>	<u>(262)</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

7. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Profit on ordinary activities before income tax	<u>3,832</u>	<u>6,958</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.6% (2011 - 26.7%)	943	1,859
Effects of:		
Adjustment to tax and deferred tax charge in respect of previous periods	(15)	15
Effect of change in tax rate	(28)	(109)
Permanent differences	<u>40</u>	<u>36</u>
Tax expense	<u>940</u>	<u>1,801</u>

Tax effects relating to effects of other comprehensive income

	10/12/11 to 7/12/12		
	Gross £'000	Tax £'000	Net £'000
Net fair value gains on cash flow hedges	(55)	16	(39)
Actuarial losses on retirement benefit	(7,287)	1,533	(5,754)
Gains / (losses) on revaluation of property	<u>-</u>	<u>475</u>	<u>475</u>
	<u>(7,342)</u>	<u>2,024</u>	<u>(5,318)</u>

	13/11/10 to 9/12/11		
	Gross £'000	Tax £'000	Net £'000
Net fair value gains on cash flow hedges	(237)	67	(170)
Actuarial gains on retirement benefit	1,436	(624)	812
Gains / (losses) on revaluation of property	<u>-</u>	<u>(262)</u>	<u>(262)</u>
	<u>1,199</u>	<u>(819)</u>	<u>380</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

8. DIVIDENDS

	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000
Ordinary shares of £1 each		
Final	<u>4,442</u>	<u>8,247</u>

No interim dividend was paid during the period. The Directors recommend a final dividend of 124.19 pence per share.

9. GOODWILL

	£'000
COST	
At 10 December 2011	
and 7 December 2012	<u>1,500</u>
NET BOOK VALUE	
At 7 December 2012	<u>1,500</u>
At 9 December 2011	<u>1,500</u>

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.

10. INTANGIBLE ASSETS

	Other £'000	Assets under construction £'000	Computer software £'000	Totals £'000
COST				
At 10 December 2011	123	5	2,134	2,262
Additions	-	-	18	18
Transfer	<u>-</u>	<u>(5)</u>	<u>5</u>	<u>-</u>
At 7 December 2012	<u>123</u>	<u>-</u>	<u>2,157</u>	<u>2,280</u>
AMORTISATION				
At 10 December 2011	33	-	885	918
Amortisation for period	<u>17</u>	<u>-</u>	<u>226</u>	<u>243</u>
At 7 December 2012	<u>50</u>	<u>-</u>	<u>1,111</u>	<u>1,161</u>
NET BOOK VALUE				
At 7 December 2012	<u>73</u>	<u>-</u>	<u>1,046</u>	<u>1,119</u>
At 9 December 2011	<u>90</u>	<u>5</u>	<u>1,249</u>	<u>1,344</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land & buildings	Leasehold improvements	Assets under construction
	£'000	£'000	£'000
COST			
At 10 December 2011	20,034	2,769	917
Additions	-	20	880
Transfer	<u>144</u>	<u>221</u>	<u>(575)</u>
At 7 December 2012	<u>20,178</u>	<u>3,010</u>	<u>1,222</u>
DEPRECIATION			
At 10 December 2011	692	1,747	-
Charge for period	409	276	-
	<u>1,101</u>	<u>2,023</u>	<u>-</u>
At 7 December 2012	<u>1,101</u>	<u>2,023</u>	<u>-</u>
NET BOOK VALUE			
At 7 December 2012	<u>19,077</u>	<u>987</u>	<u>1,222</u>
At 9 December 2011	<u>19,342</u>	<u>1,022</u>	<u>917</u>
	Buses £'000	Other assets £'000	Totals £'000
COST			
At 10 December 2011	25,975	6,466	56,161
Additions	108	136	1,144
Disposals	(3,446)	(130)	(3,576)
Transfer	<u>3</u>	<u>207</u>	<u>-</u>
At 7 December 2012	<u>22,640</u>	<u>6,679</u>	<u>53,729</u>
DEPRECIATION			
At 10 December 2011	21,721	5,248	29,408
Charge for period	1,934	498	3,117
Eliminated on disposal	<u>(3,409)</u>	<u>(122)</u>	<u>(3,531)</u>
At 7 December 2012	<u>20,246</u>	<u>5,624</u>	<u>28,994</u>
NET BOOK VALUE			
At 7 December 2012	<u>2,394</u>	<u>1,055</u>	<u>24,735</u>
At 9 December 2011	<u>4,254</u>	<u>1,218</u>	<u>26,753</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

11. PROPERTY, PLANT AND EQUIPMENT - continued

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 7 December 2012, 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 £3,552,000 (2011: £3,568,000).

The revaluation surplus is disclosed in the statement of changes in equity (page 10).

At 7 December 2012 the carrying amount of other assets leased and hire purchased was £51,000 (2011: nil), all of which is pledged as security, the carrying amount of buses leased and hire purchased was £Nil (2011: £1,736,000), all of which is pledged as security.

12. INVENTORIES

	2012 £'000	2011 £'000
Finished goods	<u>868</u>	<u>945</u>

13. TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Current:		
Trade debtors	4,878	4,520
Amounts owed by group undertakings	7,992	1,000
Other debtors	1,520	828
Prepayments	<u>3,218</u>	<u>2,491</u>
	<u>17,608</u>	<u>8,839</u>

Trade receivables are primarily due from one counterpart, 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 was £52k of trade debtors past due with no impairment (2011: nil).

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

15. CASH AND CASH EQUIVALENTS

	2012	2011
	£'000	£'000
Cash in hand	339	371
Bank accounts	<u>2,967</u>	<u>11,571</u>
	<u>3,306</u>	<u>11,942</u>

The effective interest rate on short term deposits was 3.5% (2011: 3.5%).

16. CALLED UP SHARE CAPITAL

Allotted, authorised, issued and fully paid:

Number:	Class:	Nominal value	2012	2011
			£	£
3,576,500	Ordinary	£1	<u>3,576,500</u>	<u>3,576,500</u>

17. RESERVES

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Totals £'000
At 10 December 2011	8,497	3,576	10,164	127	22,364
Profit for the period	2,892				2,892
Dividends	(4,442)				(4,442)
Gains on revaluation of property		-	475	-	475
Transfer of losses on revaluation of property	238	-	(238)	-	-
Cash flow hedge net of tax	-	-	-	(39)	(39)
Actuarial losses on retirement benefits	<u>(5,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,754)</u>
At 7 December 2012	<u>1,431</u>	<u>3,576</u>	<u>10,401</u>	<u>88</u>	<u>15,496</u>
Profit and loss account excluding pension liability	14,671				
Pension deficit	<u>(13,240)</u>				
Profit and loss account	<u>1,431</u>				

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

18. TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Current:		
Trade creditors	1,257	2,035
Amounts owed to group undertakings	2,780	450
Social security and other taxes	2,965	3,025
Accruals and deferred income	<u>6,838</u>	<u>4,967</u>
	<u><u>13,840</u></u>	<u><u>10,477</u></u>

19. FINANCIAL LIABILITIES - BORROWINGS

	2012 £'000	2011 £'000
Current:		
Obligations under finance leases (see note 20)	<u>9</u>	<u>469</u>
Non-current:		
Obligations under finance leases (see note 20)	<u>42</u>	<u>-</u>

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Finance leases	<u>9</u>	<u>10</u>	<u>32</u>	<u>51</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

20. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Finance leases

	2012 £'000	2011 £'000
Gross obligations repayable:		
Within one year	13	473
Between one and five years	<u>49</u>	<u>-</u>
	<u>62</u>	<u>473</u>
Finance charges repayable:		
Within one year	4	4
Between one and five years	<u>7</u>	<u>-</u>
	<u>11</u>	<u>4</u>
Net obligations repayable:		
Within one year	9	469
Between one and five years	<u>42</u>	<u>-</u>
	<u>51</u>	<u>469</u>

Non-cancellable operating leases

	2012 £'000	2011 £'000
Within one year	13,782	12,899
Between one and five years	36,617	33,064
In more than five years	<u>4,585</u>	<u>3,235</u>
	<u>54,984</u>	<u>49,198</u>

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

	Land & buildings 2012 £000	Other 2012 £000	Land & buildings 2011 £000	Other 2011 £000
Within one year	941	12,841	941	11,958
In two to five years	3,353	33,264	3,541	29,523
Over five years	<u>1,674</u>	<u>2,911</u>	<u>2,426</u>	<u>809</u>
	<u>5,968</u>	<u>49,016</u>	<u>6,908</u>	<u>42,290</u>

The operating lease commitments other category represents buses.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

21. 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 approximately 22 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.

Derivative financial instruments are classified on the balance sheet as at 7 December 2012 as set out below:

	2012 £'000	2011 £'000
Other financial assets	<u>133</u>	<u>206</u>
Other financial liabilities	<u>(19)</u>	<u>(37)</u>
Net other financial assets	<u><u>114</u></u>	<u><u>169</u></u>

The notional amount of fuel covered by derivatives financial instruments as at 7 December 2012 was 13.4 million litres (2011: 17.6 million litres).

There were no embedded derivatives as at 7 December 2012 (2011: Nil) 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 7 December 2012 was an asset of £114,000 (2011: £169,000). The movements in the fair value of fuel derivatives in the period ended 7 December 2012 were as follows:

	2012 £'000	2011 £'000
Fuel derivatives		
Fair values as at December	169	408
Changes in fair value during the period taken to cash flow hedging reserve	(55)	(237)
Changes in fair value during the period taken directly to income statement	-	(2)
Fair value as at December	114	169

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

21. FINANCIAL INSTRUMENTS- continued

The fair value of the fuel derivatives as at 7 December 2012 split by maturity is as follows:

	Fair value of assets	
	2012	2011
	£'000	£'000
Within one year	91	206
Between one year and two years	42	-
	<u>133</u>	<u>206</u>

	Fair value of liabilities	
	2012	2011
	£'000	£'000
Within one year	13	37
Between one year and two years	6	-
	<u>19</u>	<u>37</u>

The financial liabilities shown above are reported within the trade and other payables under amounts owed to group undertakings.

The movements in the cash flow hedging reserve (all of which related to the above fuel derivatives) in the period ended 7 December 2012 were as follows:

Cash flow hedging reserve	£'000
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	<u>(67)</u>
Cash flow hedging reserve as at 9 December 2011	(127)
Changes in fair value during the period taken to cash flow hedging reserve	55
Tax effect of cash flow hedges	<u>(16)</u>
Cash flow hedging reserve as at 7 December 2012	<u>(88)</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

21. FINANCIAL INSTRUMENTS- continued

The table below summarises the maturity of the Company's Fuel derivatives at the 31 December 2012 based on contracted undiscounted net payments.

2011	<3 months	3-12 months	1-5 years	>5 years	Total
Derivatives used for hedging	7	-	-	-	7
	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
2012					
Derivatives used for hedging	21	29	-		50
	<u>21</u>	<u>29</u>	<u>-</u>		<u>50</u>

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 19 cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 17 and the statement of changes in equity.

Categories of financial instruments

	Carrying value 2012 £'000	Carrying value 2011 £'000
Financial assets		
Trade and other receivables	17,608	8,839
Cash and cash equivalents	3,306	11,942
Other financial assets	<u>133</u>	<u>206</u>
	<u>21,047</u>	<u>20,987</u>
Financial liabilities		
Trade and other payables	13,840	10,477
Finance lease liabilities	<u>51</u>	<u>-</u>
	<u>13,891</u>	<u>10,477</u>

LONDON UNITED BUSWAYS LIMITED

FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

NOTES TO THE FINANCIAL STATEMENTS - continued

21. FINANCIAL INSTRUMENTS- continued

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.

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities at 7 December 2012 based on contracted undiscounted payments.

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
2012					
Trade and other payables	771	12,757	312		13,840
Finance lease liabilities		2	7	42	51
Derivatives used for hedging		5	7	7	19
	<u>771</u>	<u>12,764</u>	<u>326</u>	<u>49</u>	<u>13,910</u>

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 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
	<u>792</u>	<u>9,584</u>	<u>570</u>	<u>-</u>	<u>10,946</u>

The Company monitors its risk to a shortage of funds using cash flow projections. Its objective is to maintain a balance between continuity of funding and flexibility through the use of group cash pooling arrangements. The company considers liquidity risk to be low.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012**

21. FINANCIAL INSTRUMENTS- continued

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 or 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

22. PROVISIONS

	Claims £'000	Holiday Pay £'000	Total £'000
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
Charge for the period	3,168	4	3,172
Utilised during the period	(4,414)	(7)	(4,421)
Reversed during the period	297	-	297
At 7 December 2012	<u>3,890</u>	<u>60</u>	<u>3,950</u>

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.

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
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23. DEFERRED TAX

	2012 £'000	2011 £'000
Balance at 10 December	(1,986)	(1,412)
Accelerated tax depreciation	490	735
Revaluation of building	513	(252)
Retirement benefit obligations	1,265	(1,093)
Cash flow hedging obligation	16	67
Temporary differences	<u>(41)</u>	<u>(31)</u>
Balance at 7 December	<u>257</u>	<u>(1,986)</u>

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 12 December 2010	(1,518)	(2,703)	2,873	(110)	46	(1,412)
Credit / (charge) to income	735	10	(469)	-	(31)	245
Credit / (charge) to equity	<u>-</u>	<u>(262)</u>	<u>(624)</u>	<u>67</u>	<u>-</u>	<u>(819)</u>
At 9 December 2011	(783)	(2,955)	1,780	(43)	15	(1,986)
Credit / (charge) to income	490	38	(268)	-	(41)	219
Credit to equity	<u>-</u>	<u>475</u>	<u>1,533</u>	<u>16</u>	<u>-</u>	<u>2,024</u>
At 7 December 2012	<u>(293)</u>	<u>(2,442)</u>	<u>3,045</u>	<u>(27)</u>	<u>(26)</u>	<u>257</u>

The deferred tax related to cash flow hedging in the above table is shown as a net position of the deferred tax asset £4,000 (2011: £9,000) and the deferred tax liability £31,000 (2011: £52,000) and the temporary differences as a net position of the deferred tax asset £16,000 (2011: £46,000) and the deferred tax liability £42,000 (2011: £31,000).

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

	2012 £000	2011 £000
Deferred tax assets	3,066	1,835
Deferred tax liabilities	<u>(2,809)</u>	<u>(3,821)</u>
	<u>257</u>	<u>(1,986)</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

24. EMPLOYEE BENEFIT OBLIGATIONS

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 7 December 2012 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.

The amounts recognised in the statement of financial position are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Present value of funded obligations	(62,813)	(49,828)
Fair value of plan assets	<u>49,573</u>	<u>42,707</u>
Deficit	<u>(13,240)</u>	<u>(7,121)</u>
Current Liabilities	-	-
Non-current liabilities	<u>(13,240)</u>	<u>(7,121)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Current service cost	3,211	1,854
Interest cost	2,530	2,886
Expected return	(2,405)	(2,937)
Past service cost	-	-
	<u>3,336</u>	<u>1,803</u>
Actual return on plan assets	<u>4,036</u>	<u>713</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 10 DECEMBER 2011 TO 7 DECEMBER 2012

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Of the charge for the period, £3,211,000 (2011: £1,854,000) has been included in operating expenses.

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Opening defined benefit obligation	49,828	49,066
Current service cost	3,211	1,854
Contributions by scheme participants	69	1,482
Interest cost	2,530	2,886
Actuarial losses/(gains)	8,918	(3,660)
Benefits paid	(1,743)	(1,971)
Obligation transfers to the scheme	-	171
	<u>62,813</u>	<u>49,828</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Opening fair value of scheme assets	42,707	38,806
Contributions by employer	4,504	3,506
Contributions by scheme participants	69	1,482
Expected return	2,405	2,937
Actuarial gains/(losses)	1,631	(2,224)
Benefits paid	(1,743)	(1,971)
Assets transfers to the scheme	-	171
	<u>49,573</u>	<u>42,707</u>

The amounts recognised in the statement of comprehensive income are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Actuarial losses / (gains)	<u>7,287</u>	<u>(1,436)</u>
Cumulative amount of actuarial losses	<u>8,188</u>	<u>901</u>

LONDON UNITED BUSWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
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24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2012	2011
	£'000	£'000
Equities	30,586	26,350
Debt instruments	15,219	12,812
Other assets	<u>3,768</u>	<u>3,545</u>
	<u>49,573</u>	<u>42,707</u>

Expected return on scheme assets

	2012	2011
	%	%
Equities	5.70	6.00
Debt instruments	3.73	4.16
Other assets	5.70	6.00

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2012	2011
Discount rate	4.40%	5.00%
Expected return on scheme assets	5.45%	6.75%
Future salary increases	3.40%	3.40%
Future pension increases	2.20%	2.90%

The five year history of experience adjustments is as follows:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	<u>62,813</u>	<u>49,828</u>	<u>49,066</u>	<u>43,639</u>	<u>30,752</u>
Fair value of scheme assets	<u>49,573</u>	<u>42,707</u>	<u>38,806</u>	<u>33,172</u>	<u>23,546</u>
Deficit in the scheme	<u>13,240</u>	<u>7,121</u>	<u>10,260</u>	<u>10,467</u>	<u>7,206</u>
Difference between the expected and actual return on plan assets					
Amount	<u>(1,631)</u>	<u>2,224</u>	<u>(846)</u>	<u>(4,997)</u>	<u>9,777</u>
Percentage of scheme assets (%)	<u>-3%</u>	<u>5%</u>	<u>-2%</u>	<u>-15%</u>	<u>42%</u>
Experience (gain) / loss on plan liabilities					
Amount	<u>703</u>	<u>(2,505)</u>	<u>575</u>	<u>9,990</u>	<u>(11,856)</u>
Percentage of scheme liabilities (%)	<u>1%</u>	<u>-5%</u>	<u>1%</u>	<u>23%</u>	<u>-39%</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued
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The estimated amount of contributions expected to be paid into the scheme during the next financial year is £4,654,000.

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 £35,000 (2011: £3,000). Included in other creditors is £38,000 (2011: £8,000) in respect of unpaid contributions.

25. ULTIMATE PARENT COMPANY

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.

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 (2011 £Nil).

Bank and other guarantees given by the Company amounted to £6,596,000 (2011: £6,596,000).

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 - continued
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27. RELATED PARTY DISCLOSURES

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

	Purchases from related party		Sales to related party	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
RATP Dev UK Limited	1,985	1,946	-	105
Bournemouth Transport Limited	-	-	197	267
Bath Bus Company Limited	-	-	88	114
Metrolink RATP Dev Limited	-	-	142	-
	<u>1,985</u>	<u>1,946</u>	<u>427</u>	<u>486</u>

	Amounts owed to related party		Amounts owed by related party	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
RATP Dev UK Limited	2,233	450	7,992	1,000
Bournemouth Transport Limited	19	-	-	-
Bath Bus Company Limited	27	-	-	-
Metrolink RATP Dev Limited	501	-	-	-
	<u>2,780</u>	<u>450</u>	<u>7,992</u>	<u>1,000</u>

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 and Metrolink RATP Dev Limited are subsidiaries of RATP Dev UK Limited

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.

Pension amounts related to key personnel are disclosed in note 3.