

REGISTERED NUMBER: 02328561 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**  
**FOR**  
**LONDON UNITED BUSWAYS LIMITED**

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**LONDON UNITED BUSWAYS LIMITED**

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**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

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**LONDON UNITED BUSWAYS LIMITED**

**COMPANY INFORMATION**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**DIRECTORS:**

L Birchley  
R Casling  
K Fuller  
C Carniel  
M Bulmer  
R Hall

**REGISTERED OFFICE:**

Busways House  
Wellington Road  
Twickenham  
Middlesex  
TW2 5NX

**REGISTERED NUMBER:**

02328561 (England and Wales)

**AUDITORS:**

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

## **LONDON UNITED BUSWAYS LIMITED**

### **STRATEGIC REPORT** **FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

The directors present their strategic report for the period 8 December 2012 to 6 December 2013.

#### **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 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 2.33% over the prior year.

The Statement of Financial Position on page 8 of the Financial Statements shows the net assets have increased by £3,037,000 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 for 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 21 to the Financial Statements.

The Company is also exposed to insurance costs. Details of provision against claims can be found in Note 22 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.

#### **ON BEHALF OF THE BOARD:**



.....  
R Casling - Director

Date: 8/8/14 .....

## **LONDON UNITED BUSWAYS LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

The directors present their report with the financial statements of the Company for the period 8 December 2012 to 6 December 2013.

#### **DIVIDENDS**

No interim dividend was paid during the period. The directors approved a final dividend of £111.84 per share.

The total distribution of dividends for the period ended 6 December 2013 was £4,000,000.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 8 December 2012 to the date of this report.

L Birchley  
R Casling  
K Fuller  
C Carniel - resigned 12 February 2014  
M Bulmer

Other changes in directors holding office are as follows:

R Hall - appointed 27 August 2013  
T Jackson – appointed 12 February 2014

#### **GOING CONCERN**

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 in the 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 risk related primarily to fuel prices and interest rate risk. Management reviews financial risks regularly in accordance with Company policies. The Company uses financial instruments to hedge financial risks associated with fuel purchases which are a major cost. Further details are given in note 21.

#### **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 3 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 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.

#### **POLITICAL DONATIONS**

No political donations were made in either the current or prior period.

**LONDON UNITED BUSWAYS LIMITED**

**REPORT OF THE DIRECTORS**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report and 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.

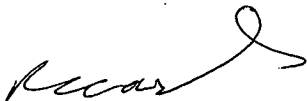
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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: 8/8/14 .....

**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 6 December 2013 which comprise the Income Statement, the Statement of Other 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 6 December 2013 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 Strategic Report and the Report of the Directors 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

Date: 8 August 2014

**LONDON UNITED BUSWAYS LIMITED**

**INCOME STATEMENT**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

		Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
	Notes		
<b>CONTINUING OPERATIONS</b>			
Revenue		153,287	149,793
Administrative expenses		<u>(149,473)</u>	<u>(146,010)</u>
<b>OPERATING PROFIT</b>		3,814	3,783
Finance costs	4	(247)	(145)
Finance income	4	<u>292</u>	<u>194</u>
<b>PROFIT BEFORE INCOME TAX</b>	5	3,859	3,832
Income tax	7	<u>(884)</u>	<u>(940)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><u>2,975</u></u>	<u><u>2,892</u></u>

The notes form part of these financial statements



**LONDON UNITED BUSWAYS LIMITED**

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

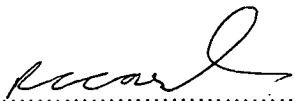
	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
<b>PROFIT FOR THE PERIOD</b>	2,975	2,892
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Net fair value gains on cash flow hedges	(130)	(55)
Income tax effect	29	16
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>		
Actuarial gains / (losses) on retirement benefit	5,301	(7,287)
Income tax effect	<u>(1,138)</u>	<u>2,008</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<u>4,062</u>	<u>(5,318)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>7,037</u></u>	<u><u>(2,426)</u></u>

The notes form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED (REGISTERED NUMBER: 02328561)**  
**STATEMENT OF FINANCIAL POSITION 6 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	9	1,500	1,500
Intangible assets	10	918	1,119
Property, plant and equipment	11	23,622	24,735
Deferred tax	23	<u>1,520</u>	<u>3,066</u>
		<u>27,560</u>	<u>30,420</u>
<b>CURRENT ASSETS</b>			
Inventories	12	756	868
Trade and other receivables	13	17,955	17,608
Tax receivable		693	627
Investments	14	-	133
Cash and cash equivalents	15	<u>2,872</u>	<u>3,306</u>
		<u>22,276</u>	<u>22,542</u>
<b>TOTAL ASSETS</b>		<u>49,836</u>	<u>52,962</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	3,576	3,576
Share premium	17	3,576	3,576
Revaluation reserve	17	10,482	10,401
Other reserves	17	(13)	88
Retained earnings	17	<u>4,488</u>	<u>1,431</u>
<b>TOTAL EQUITY</b>		<u>22,109</u>	<u>19,072</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	35	42
Pension liability	24	7,484	13,240
Deferred tax	23	<u>2,273</u>	<u>2,809</u>
		<u>9,792</u>	<u>16,091</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	13,569	13,840
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	10	9
Provisions	22	<u>4,356</u>	<u>3,950</u>
		<u>17,935</u>	<u>17,799</u>
<b>TOTAL LIABILITIES</b>		<u>27,727</u>	<u>33,890</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>49,836</u>	<u>52,962</u>

The financial statements were approved by the Board of Directors on ~~6<sup>th</sup> AUGUST 2014~~ 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 8 DECEMBER 2012 TO 6 DECEMBER 2013**

	Called up share capital £'000	Share premium £'000	Revaluation reserve £'000
<b>Balance at 10 December 2011</b>	3,576	3,576	10,164
<b>Changes in equity</b>			
Dividends	-	-	-
Total comprehensive income	-	-	237
<b>Balance at 7 December 2012</b>	3,576	3,576	10,401
<b>Changes in equity</b>			
Dividends	-	-	-
Total comprehensive income	-	-	81
<b>Balance at 6 December 2013</b>	3,576	3,576	10,482
	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 10 December 2011</b>	127	8,497	25,940
<b>Changes in equity</b>			
Dividends	-	(4,442)	(4,442)
Total comprehensive income	(39)	(2,624)	(2,426)
<b>Balance at 7 December 2012</b>	88	1,431	19,072
<b>Changes in equity</b>			
Dividends	-	(4,000)	(4,000)
Total comprehensive income	(101)	7,057	7,037
<b>Balance at 6 December 2013</b>	(13)	4,488	22,109

The notes form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED**

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

		Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	5,559	(518)
Interest paid		(24)	(20)
Tax paid		<u>(1,049)</u>	<u>(2,420)</u>
Net cash from operating activities		<u>4,486</u>	<u>(2,958)</u>
 <b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(28)	(18)
Purchase of tangible fixed assets		(1,430)	(1,093)
Sale of tangible fixed assets		255	150
Interest received		<u>292</u>	<u>194</u>
Net cash from investing activities		<u>(911)</u>	<u>(767)</u>
 <b>Cash flows from financing activities</b>			
Capital repayments in year		(9)	(469)
Equity dividends paid		<u>(4,000)</u>	<u>(4,442)</u>
Net cash from financing activities		<u>(4,009)</u>	<u>(4,911)</u>
 <b>Decrease in cash and cash equivalents</b>		<u>(434)</u>	<u>(8,636)</u>
<b>Cash and cash equivalents at beginning of period</b>	2	<u>3,306</u>	<u>11,942</u>
<b>Cash and cash equivalents at end of period</b>	2	<u><u>2,872</u></u>	<u><u>3,306</u></u>

The notes form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

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

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Profit before income tax	3,859	3,832
Depreciation and amortisation charges	2,663	3,358
Profit on disposal of fixed assets	(146)	(105)
Finance costs	247	145
Finance income	<u>(292)</u>	<u>(194)</u>
	6,331	7,036
Decrease in inventories	112	77
Increase in trade and other receivables	(347)	(8,769)
(Decrease)/increase in trade and other payables	(293)	3,383
Increase/(decrease) in provisions	406	(952)
Difference between pension charge and cash contributions	<u>(650)</u>	<u>(1,293)</u>
<b>Cash generated from/(used in) operations</b>	<u><b>5,559</b></u>	<u><b>(518)</b></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 6 December 2013**

	6/12/13 £'000	8/12/12 £'000
Cash and cash equivalents	<u>2,872</u>	<u>3,306</u>

**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>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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 Strategic Report on page 3.

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 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 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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

**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**

Assets under construction consists of the historical cost of assets 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.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**2. ACCOUNTING POLICIES - continued**

**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.

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.



**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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.

**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 36 Recoverable Amount Disclosures for Non- Financial Assets Annual periods beginning on or after 1 January 2014

IAS 39 Financial Instruments: Recognition and Measurement Annual periods beginning on or after 1 January 2014

IFRS 9 Financial Instruments Annual periods beginning on or after 1 January 2015

IFRS 15 Revenue from Contracts with Customers Annual periods beginning after 15 December 2016

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, with the possible exception of IFRS 15 Revenue from Contracts with Customers.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**3. EMPLOYEES AND DIRECTORS**

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Wages and salaries	79,189	78,634
Social security costs	7,754	7,983
Other pension costs	<u>4,167</u>	<u>3,399</u>
	<u>91,110</u>	<u>90,016</u>

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

	Period 8/12/12 to 6/12/13	Period 10/12/11 to 7/12/12
Bus operation	2,242	2,230
Engineering and maintenance	153	158
Management and administration	<u>89</u>	<u>90</u>
	<u>2,484</u>	<u>2,478</u>

Directors' remuneration:

	Period 8/12/12 to 6/12/13 £	Period 10/12/11 to 7/12/12 £
Aggregate remuneration in respect of qualifying services	<u>463,385</u>	<u>480,043</u>

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

Money purchase schemes	3	3
Defined benefit schemes	<u>1</u>	<u>2</u>

Information regarding the highest paid director is as follows:

Aggregate remuneration	129,971	138,984
Accrued pension as at 6 December 2013	<u>10,050</u>	<u>7,434</u>

**4. NET FINANCE INCOME**

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Finance income:		
Deposit account interest	<u>292</u>	<u>194</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**4. NET FINANCE INCOME - continued**

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Finance costs:		
Hire purchase	3	2
Other Interest paid	21	18
Net pension interest payable	<u>223</u>	<u>125</u>
	<u>247</u>	<u>145</u>
Net finance income	<u>45</u>	<u>49</u>

**5. PROFIT BEFORE INCOME TAX**

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

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Cost of inventories recognised as expense	22,332	20,864
Hire of plant and machinery	13,731	12,947
Other operating leases	995	1,030
Depreciation - owned assets	2,434	3,117
Profit on disposal of fixed assets	(146)	(105)
Other amortisation	17	17
Computer software amortisation	<u>212</u>	<u>226</u>

**6. AUDITOR'S REMUNERATION**

	Period 6/12/13 £'000	Period 7/12/12 £'000
Fees payable to the Company's auditors:		
The audit of the financial statements	42	41
Other assurance services	<u>9</u>	<u>9</u>

**7. INCOME TAX**

**Analysis of tax expense**

	Period 6/12/13 £'000	Period 7/12/12 £'000
Current tax:		
UK Corporation tax	983	1,158
Prior year	-	1
Deferred tax:		
Current year	(57)	(157)
Change in tax rate	(42)	(62)
Total tax expense in income statement	<u>884</u>	<u>940</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Profit on ordinary activities before income tax	<u>3,859</u>	<u>3,832</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.3% (2012 - 24.6%)	899	943
Effects of:		
Adjustments in respect of previous periods	-	(15)
Effect of change in tax rate	(42)	(28)
Permanent differences	<u>27</u>	<u>40</u>
Tax expense	<u>884</u>	<u>940</u>

**Tax effects relating to effects of other comprehensive income**

	8/12/12 to 6/12/13		
	Gross £'000	Tax £'000	Net £'000
Net fair value gains on cash flow hedges	(130)	29	(101)
Actuarial losses on retirement benefit	5,301	(1,457)	3,844
Tax on items taken directly to equity	<u>-</u>	<u>319</u>	<u>319</u>
	<u>5,171</u>	<u>(1,109)</u>	<u>4,062</u>

	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)
Tax on items taken directly to equity	<u>-</u>	<u>475</u>	<u>475</u>
	<u>(7,342)</u>	<u>2,024</u>	<u>(5,318)</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**8. DIVIDENDS**

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000
Ordinary shares of £1 each		
Final	<u>4,000</u>	<u>4,442</u>

**9. GOODWILL**

	£'000
<b>COST</b>	
At 8 December 2012	
and 6 December 2013	<u>1,500</u>
<b>NET BOOK VALUE</b>	
At 6 December 2013	<u>1,500</u>
At 7 December 2012	<u>1,500</u>

The carrying value of goodwill has been assessed 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%

**10. INTANGIBLE ASSETS**

	Other £'000	Computer software £'000	Totals £'000
<b>COST</b>			
At 8 December 2012	123	2,157	2,280
Additions	<u>-</u>	<u>28</u>	<u>28</u>
At 6 December 2013	<u>123</u>	<u>2,185</u>	<u>2,308</u>
<b>AMORTISATION</b>			
At 8 December 2012	50	1,111	1,161
Amortisation for period	<u>17</u>	<u>212</u>	<u>229</u>
At 6 December 2013	<u>67</u>	<u>1,323</u>	<u>1,390</u>
<b>NET BOOK VALUE</b>			
At 6 December 2013	<u>56</u>	<u>862</u>	<u>918</u>
At 7 December 2012	<u>73</u>	<u>1,046</u>	<u>1,119</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**11. PROPERTY, PLANT AND EQUIPMENT**

	Freehold land & buildings £'000	Leasehold improvements £'000	Assets under construction £'000
<b>COST</b>			
At 8 December 2012	20,178	3,010	1,222
Additions	193	65	622
Reclassification/transfer	417	70	(877)
At 6 December 2013	<u>20,788</u>	<u>3,145</u>	<u>967</u>
<b>DEPRECIATION</b>			
At 8 December 2012	1,101	2,023	-
Charge for period	424	250	-
Eliminated on disposal	-	-	-
At 6 December 2013	<u>1,525</u>	<u>2,273</u>	<u>-</u>
<b>NET BOOK VALUE</b>			
At 6 December 2013	<u>19,263</u>	<u>872</u>	<u>967</u>
At 7 December 2012	<u>19,077</u>	<u>987</u>	<u>1,222</u>
	Other assets £'000	Plant and Machinery £'000	Totals £'000
<b>COST</b>			
At 8 December 2012	22,640	6,679	53,729
Additions	466	84	1,430
Disposals	(8,116)	(11)	(8,127)
Reclassification/transfer	212	178	-
At 6 December 2013	<u>15,202</u>	<u>6,930</u>	<u>47,032</u>
<b>DEPRECIATION</b>			
At 8 December 2012	20,246	5,624	28,994
Charge for period	1,319	441	2,434
Eliminated on disposal	(8,007)	(11)	(8,018)
At 6 December 2013	<u>13,558</u>	<u>6,054</u>	<u>23,410</u>
<b>NET BOOK VALUE</b>			
At 6 December 2013	<u>1,644</u>	<u>876</u>	<u>23,622</u>
At 7 December 2012	<u>2,394</u>	<u>1,055</u>	<u>24,735</u>

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 6 December 2013, 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 £8,781,000 (2012: £8,677,000).

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

At 6 December 2013 the carrying amount of other assets leased and hire purchased was £42,000 (2012: £51,000), all of which is pledged as security.



**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**12. INVENTORIES**

	2013	2012
	£'000	£'000
Finished goods	<u>756</u>	<u>868</u>

**13. TRADE AND OTHER RECEIVABLES**

	2013	2012
	£'000	£'000
Current:		
Trade debtors	5,450	4,878
Amounts owed by group undertakings	8,603	7,992
Other debtors	755	1,520
Prepayments	<u>3,147</u>	<u>3,218</u>
	<u>17,955</u>	<u>17,608</u>

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 was £31,000 of trade debtors past due with no impairment (2012: £52,000).

**14. INVESTMENTS**

	2013	2012
	£'000	£'000
Other financial assets	<u>-</u>	<u>133</u>

**15. CASH AND CASH EQUIVALENTS**

	2013	2012
	£'000	£'000
Cash in hand	316	339
Bank accounts	<u>2,556</u>	<u>2,967</u>
	<u>2,872</u>	<u>3,306</u>

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
			£	£
3,576,500	Ordinary	£1	<u>3,576,500</u>	<u>3,576,500</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**17. RESERVES**

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Totals £'000
At 8 December 2012	1,431	3,576	10,401	88	15,496
Profit for the period	2,975				2,975
Dividends	(4,000)				(4,000)
Change in deferred tax rate	-	-	319	-	319
Transfer on revaluation of property	238	-	(238)	-	-
Cash flow hedge net of tax	-	-	-	(101)	(101)
Actuarial gains on retirement benefits	3,844	-	-	-	3,844
At 6 December 2013	<u>4,488</u>	<u>3,576</u>	<u>10,482</u>	<u>(13)</u>	<u>18,533</u>
Profit and loss account excluding pension liability	11,972				
Pension deficit	<u>(7,484)</u>				
Profit and loss account	<u>4,488</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 relate to the cash flow hedging reserve which is disclosed in financial instruments note 21.

**18. TRADE AND OTHER PAYABLES**

	2013 £'000	2012 £'000
Current:		
Trade creditors	1,022	1,257
Amounts owed to group undertakings	2,344	2,780
Social security and other taxes	2,870	2,965
Accruals and deferred income	<u>7,333</u>	<u>6,837</u>
	<u>13,569</u>	<u>13,839</u>

**19. FINANCIAL LIABILITIES - BORROWINGS**

	2013 £'000	2012 £'000
Current:		
Finance leases (see note 20)	<u>10</u>	<u>9</u>
Non-current:		
Finance leases (see note 20)	<u>35</u>	<u>42</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**19. FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Finance leases	<u>10</u>	<u>11</u>	<u>24</u>	<u>45</u>

**20. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Finance leases	
	2013 £'000	2012 £'000
Gross obligations repayable:		
Within one year	13	13
Between one and five years	<u>39</u>	<u>49</u>
	<u>52</u>	<u>62</u>
Finance charges repayable:		
Within one year	3	4
Between one and five years	<u>4</u>	<u>7</u>
	<u>7</u>	<u>11</u>
Net obligations repayable:		
Within one year	10	9
Between one and five years	<u>35</u>	<u>42</u>
	<u>45</u>	<u>51</u>

**Non-cancellable operating leases**

	2013 £'000	2012 £'000
Within one year	13,700	13,782
Between one and five years	29,696	36,617
In more than five years	<u>3,557</u>	<u>4,585</u>
	<u>46,953</u>	<u>54,984</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**20. LEASING AGREEMENTS - continued**

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

	Land & buildings	Other	Land & buildings	Other
	2013	2013	2012	2012
	£000	£000	£000	£000
Within one year	941	12,759	941	12,841
In two to five years	2,866	26,830	3,353	33,264
Over five years	1,222	2,335	1,674	2,911
	<u>5,029</u>	<u>41,924</u>	<u>5,968</u>	<u>49,016</u>

The operating lease commitments Other category represents buses.

**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 21.4 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 6 December 2013 as set out below:

	2013	2012
	£'000	£'000
Other financial assets	<u>2</u>	<u>133</u>
Other financial liabilities	<u>(18)</u>	<u>(19)</u>
<b>Net other financial (liabilities) / assets</b>	<u><b>(16)</b></u>	<u><b>114</b></u>

The notional amount of fuel covered by derivatives financial instruments as at 6 December 2013 was 13.4 million litres (2012: 13.4 million litres).

There were no embedded derivatives as at 6 December 2013 (2012: nil) which IAS 39 requires to be separately accounted for.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**21. FINANCIAL INSTRUMENTS - continue**

**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 6 December 2013 was a liability of £16,000 (2012: asset £114,000). The movements in the fair value of fuel derivatives in the year ended 6 December 2013 were as follows:

	2013 £'000	2012 £'000
<b>Fuel derivatives</b>		
Fair values as at December	114	169
Changes in fair value during the period taken to cash flow hedging reserve	(307)	167
Changes in fair value during the period taken directly to income statement	177	(222)
	<u>177</u>	<u>(222)</u>
Fair value as at December	<u>(16)</u>	<u>114</u>

The fair value of the fuel derivatives as at 6 December 2013 split by maturity is as follows:

	<b>Fair value of assets</b>	
	2013 £'000	2012 £'000
Within one year	2	91
Between one year and two years	-	42
	<u>2</u>	<u>133</u>

	<b>Fair value of liabilities</b>	
	2013 £'000	2012 £'000
Within one year	12	13
Between one year and two years	6	6
	<u>18</u>	<u>19</u>

The movements in the cash flow hedging reserve (all of which related to the above fuel derivatives):

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**21. FINANCIAL INSTRUMENTS - continue**

<b>Cash flow hedging reserve</b>	<b>£'000</b>
Cash flow hedging reserve as at 9 December 2011	(127)
Changes in fair value during the period taken to cash flow hedging reserve	(167)
Changes in fair value during the period taken directly to income statement	222
Tax effect of cash flow hedges	<u>(16)</u>
Cash flow hedging reserve as at 7 December 2012	(88)
Changes in fair value during the period taken to cash flow hedging reserve	307
Changes in fair value during the period taken directly to income statement	(177)
Tax effect of cash flow hedges	<u>(29)</u>
Cash flow hedging reserve as at 6 December 2013	<u><u>13</u></u>

The table below summarises the maturity of the Company's cash flow hedges at the 6 December 2013 based on contracted undiscounted receipts and payments:

<b>2012</b>	<b>&lt;3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Derivatives used for hedging	<u>33</u>	<u>45</u>	<u>36</u>	<u>-</u>	<u>114</u>
	<u><u>33</u></u>	<u><u>45</u></u>	<u><u>36</u></u>	<u><u>-</u></u>	<u><u>114</u></u>
<b>2013</b>					
Derivatives used for hedging	<u>-</u>	<u>(10)</u>	<u>(6)</u>	<u>-</u>	<u>(16)</u>
	<u><u>-</u></u>	<u><u>(10)</u></u>	<u><u>(6)</u></u>	<u><u>-</u></u>	<u><u>(16)</u></u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**21. 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 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 2013 £'000	Carrying value 2012 £'000
<b>Financial assets</b>		
Trade and other receivables	17,955	17,608
Cash and cash equivalents	2,872	3,306
Other financial assets	<u>2</u>	<u>133</u>
	<u>20,829</u>	<u>21,047</u>
<b>Financial liabilities</b>		
Trade and other payables	13,568	13,840
Other financial liabilities	<u>18</u>	<u>51</u>
	<u>13,586</u>	<u>13,891</u>
	<u>7,243</u>	<u>7,156</u>

**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.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**21. FINANCIAL INSTRUMENTS - continued**

**Liquidity risk**

The table below summarises the maturity profile of the Company's financial liabilities at 6 December 2013 based on contracted undiscounted payments.

	<b>On demand £'000</b>	<b>&lt;3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Total £'000</b>
<b>2013</b>					
Trade and other payables	660	12,537	371	-	13,568
Finance lease liabilities	-	2	8	35	45
Derivatives used for hedging	-	-	10	6	16
	<u>660</u>	<u>12,539</u>	<u>389</u>	<u>41</u>	<u>13,629</u>
	<b>On demand £'000</b>	<b>&lt;3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Total £'000</b>
<b>2012</b>					
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>

**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.



**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**22. PROVISIONS**

	Claims £'000	Holiday Pay £'000	Total £'000
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
	<hr/>	<hr/>	<hr/>
At 7 December 2012	3,890	60	3,950
Charge for the period	3,149	260	3,409
Utilised during the period	(3,155)	-	(3,155)
Reversed during the period	152	-	152
	<hr/>	<hr/>	<hr/>
At 6 December 2013	<u>4,036</u>	<u>320</u>	<u>4,356</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.

**23. DEFERRED TAX**

	2013 £'000	2012 £'000
Balance at 8 December	257	(1,986)
Accelerated tax depreciation	129	490
Revaluation of building	382	513
Retirement benefit obligations	(1,548)	1,265
Cash flow hedging obligation	30	16
Temporary differences	<u>(3)</u>	<u>(41)</u>
	<hr/>	<hr/>
Balance at 6 December	<u>(753)</u>	<u>257</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**23. DEFERRED TAX - continued**

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 9 December 2011	(783)	(2,955)	1,780	(43)	15	(1,986)
Credit / (charge) to income	490	38	(268)	-	(41)	219
Credit / (charge) to equity	-	475	1,533	16	-	2,024
At 7 December 2012	(293)	(2,442)	3,045	(27)	(26)	257
Credit / (charge) to income	129	64	(91)	-	(3)	99
Credit / (charge) to equity	-	318	(1,457)	30	-	(1,109)
At 6 December 2013	(164)	(2,060)	1,497	3	(29)	(753)

The deferred tax related to cash flow hedging in the above table is shown as a net position of the deferred tax asset £3,000 (2012: £4,000) and the deferred tax liability £nil (2012: £31,000) and the temporary differences as a net position of the deferred tax asset £20,000 (2012: £16,000) and the deferred tax liability £49,000 (2012: £42,000).

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

	2013 £000	2012 £000
Deferred tax assets	1,520	3,066
Deferred tax liabilities	(2,273)	(2,809)
	(753)	257

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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. 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.

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

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Present value of funded obligations	(65,876)	(62,813)
Fair value of plan assets	<u>58,392</u>	<u>49,573</u>
	(7,484)	(13,240)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	<u>(7,484)</u>	<u>(13,240)</u>
Net liability	<u>(7,484)</u>	<u>(13,240)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Current service cost	4,074	3,211
Interest cost	2,815	2,530
Expected return	(2,592)	(2,405)
Past service cost	<u>-</u>	<u>-</u>
	<u>4,297</u>	<u>3,336</u>
Actual return on plan assets	<u>5,831</u>	<u>4,036</u>

Of the charge for the period, £4,074,000 (2012: £3,211,000) has been included in operating expenses.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**24. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Opening defined benefit obligation	62,813	49,828
Current service cost	4,074	3,211
Contributions by scheme participants	75	69
Interest cost	2,815	2,530
Actuarial (gains) / losses	(2,062)	8,918
Benefits paid	<u>(1,839)</u>	<u>(1,743)</u>
	<u>65,876</u>	<u>62,813</u>

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

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Opening fair value of scheme assets	49,573	42,707
Contributions by employer	4,752	4,504
Contributions by scheme participants	75	69
Interest income	2,592	2,405
Actuarial gains	3,239	1,631
Benefits paid	<u>(1,839)</u>	<u>(1,743)</u>
	<u>58,392</u>	<u>49,573</u>

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

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Actuarial (gains) / losses	<u>(5,301)</u>	<u>7,287</u>
	<u>(5,301)</u>	<u>7,287</u>
Cumulative amount of actuarial losses	<u>2,887</u>	<u>8,188</u>

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**24. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

	Defined benefit pension plans	
	2013	2012
	£'000	£'000
Equities	35,241	30,586
Debt instruments	17,171	15,219
Other assets	5,980	3,768
	<u>58,392</u>	<u>49,573</u>

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

	2013	2012
Discount rate	4.70%	4.40%
Expected return on scheme assets	5.08%	5.45%
Future salary increases	3.40%	3.40%
Future pension increases	2.40%	2.20%

Amounts for the current and previous four periods are as follows:

	Period 8/12/12 to 6/12/13 £'000	Period 10/12/11 to 7/12/12 £'000	Period 13/11/10 to 9/12/11 £'000	Period 14/11/09 to 12/11/10 £'000	Period 10/11/08 to 13/11/09 £'000
<b>Defined benefit pension plans</b>					
Defined benefit obligation	(65,876)	(62,813)	(49,828)	(49,066)	(43,639)
Fair value of scheme assets	58,392	49,573	42,707	38,806	33,172
Deficit	(7,484)	(13,240)	(7,121)	(10,260)	(10,467)
Experience adjustments on scheme liabilities	(457)	(703)	2,505	(575)	(9,990)
Experience adjustments on scheme assets	(3,239)	1,631	(2,224)	846	4,997

The estimated amount of contributions expected to be paid into the scheme during the next financial year is £4,847,000.

**Defined contribution schemes**

The Company also operates defined contribution pension schemes. The charge to the income statement for the schemes in the year was £93,000 (2012: £103,000). Included in other creditors is £60,000 (2012: £38,000) in respect of unpaid contributions.

**25. ULTIMATE PARENT COMPANY**

The ultimate parent undertaking of the largest and smallest 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.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 8 DECEMBER 2012 TO 6 DECEMBER 2013**

**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 (2012: Nil).

Bank and other guarantees given by the Company amounted to £5,284,000 (2012: £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.

**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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
RATP Dev UK Limited	2,851	1,985	-	-
Bournemouth Transport Limited	-	-	207	197
Bath Bus Company Limited	-	-	130	88
Metrolink RATP Dev Limited	-	-	247	142
H.R.Richmond Limited	37	-	-	-
	<u>2,888</u>	<u>1,985</u>	<u>584</u>	<u>427</u>

	Amounts owed to related party		Amounts owed by related party	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
RATP Dev UK Limited	1,717	2,233	8,600	7,992
Bournemouth Transport Limited	-	19	3	-
Bath Bus Company Limited	22	27	-	-
Metrolink RATP Dev Limited	605	501	-	-
H.R.Richmond Limited	-	-	-	-
	<u>2,344</u>	<u>2,780</u>	<u>8,603</u>	<u>7,992</u>

RATP Dev UK Limited is the immediate parent undertaking of the Company. Bournemouth Transport Limited and Bath Bus Company Limited and Metrolink RATP Dev limited are subsidiaries of RATP Dev UK Limited.

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.