

Original

LONDON UNITED BUSWAYS LIMITED

REGISTERED NO: 2328561

**FINANCIAL STATEMENTS FOR THE 52 WEEKS
ENDED 7 NOVEMBER 1997
TOGETHER WITH DIRECTORS' & AUDITORS' REPORTS**



LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 7 NOVEMBER 1997

The Directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the 52 weeks ended 7 November 1997.

Business Review

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

Financial Results

The profit for the period was £3,665,000 after taxation. Interim dividends of £1,100,016 and £3,036,605 were paid on 11 April 1997 and 7 November 1997 respectively. The Directors recommend that no final dividend be paid.

Directors and their Interests

The Directors who held office during the period and their interest in management ordinary 1p shares of London United Busways 1994 Limited were as follows until August 1997 when their shares were acquired by Transdev plc.

	<u>Number of Shares</u>
D E Humphrey	5,350,000
S F H Lawes	4,350,000
M Lewis	4,350,000
M Whitley (resigned 29 August 1997)	4,350,000
W J Cahill	2,000,000
A M Cargill	2,000,000
A E Juniper	2,000,000
D A Lott	2,000,000
R M Wiseman	2,000,000

Disabled Employees

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


Employee Involvement

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

Suppliers

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

Busways House
Wellington Road
Twickenham
Middlesex TW2 5NX

By Order of the Board
 K A Wright
Company Secretary
28 January 1998

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

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

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

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

LONDON UNITED BUSWAYS LIMITED
REPORT OF THE JOINT AUDITORS, ERNST & YOUNG
AND MAZARS & GUERARD TO THE MEMBERS OF
LONDON UNITED BUSWAYS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and certain buses and on the basis of the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

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

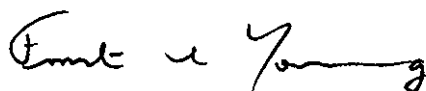
Basis of Opinion

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

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

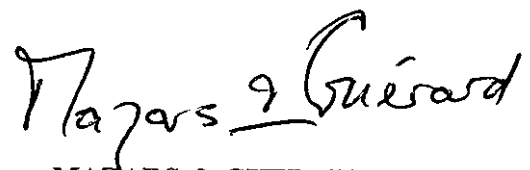
Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 7 November 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditors

6 February 1998


MAZARS & GUERARD
Chartered Accountants
Registered Auditors

6 February 1998

LONDON UNITED BUSWAYS LIMITED
PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 7 November 1997

	Notes	1997 £'000	1996 £'000
Turnover	1	43,441	43,249
Cost of operations		(37,720)	(37,602)
Net interest payable	5	(1,231)	(1,059)
Profit on ordinary activities before taxation	2	4,490	4,588
Taxation	6	(825)	(705)
Profit on ordinary activities after taxation		3,665	3,883
Dividends	7	(4,137)	(4,516)
Retained loss		(472)	(633)

The Company's results are all from continuing operations.

Movements in reserves are set out in Note 17 to these financial statements.

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

Note of historical cost profit

Reported profit on ordinary activities before taxation	4,490	4,588
Difference between a historical cost depreciation charge and the actual depreciation charge based on the revalued amount	215	217
Historical cost profit on ordinary activities before taxation	4,705	4,805
Historical cost loss retained after taxation and dividends	(257)	(416)

LONDON UNITED BUSWAYS LIMITED
BALANCE SHEET
at 7 November 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	25,369	23,846
Investment	9	100	100
		<hr/>	<hr/>
		25,469	23,946
		<hr/>	<hr/>
Current assets/liabilities			
Stocks		573	574
Debtors	10	3,057	8,340
Cash at bank and in hand		1,566	3,535
		<hr/>	<hr/>
		5,196	12,449
		<hr/>	<hr/>
Creditors: amounts falling due within one year	11	(15,824)	(12,498)
		<hr/>	<hr/>
Net current liabilities		(10,628)	(49)
		<hr/>	<hr/>
Total assets less current liabilities		14,841	23,897
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	13	(167)	(9,080)
		<hr/>	<hr/>
Provisions for liabilities and charges	14	(2,175)	(1,846)
		<hr/>	<hr/>
Net assets		12,499	12,971
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	3,576	3,576
Share premium account	16	3,576	3,576
Revaluation reserve	17	4,504	4,719
Profit and loss account	17	843	1,100
		<hr/>	<hr/>
		12,499	12,971
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 28 January 1998 and signed on its behalf by:


 S F H Lawes
 Director
 28 January 1998

LONDON UNITED BUSWAYS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TURNOVER

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are generally stated at historic cost less accumulated depreciation. Land and buildings are stated at an independent valuation. 52 buses are stated at a valuation equivalent to historic net book value, as if the buses had been owned since new. Freehold land is not depreciated. Depreciation is provided on the straight-line basis over the estimated useful lives of all other assets as follows:

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

LEASED ASSETS

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

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

STOCKS

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

PENSIONS

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

TAXATION

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

RELATED PARTY TRANSACTIONS

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

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 7 November 1997

NOTE 1 TURNOVER AND PROFIT BEFORE TAXATION

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

NOTE 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1997	1996
	£'000	£'000
Auditors' remuneration - audit work	17	25
- non audit work	23	17
Hire rentals under operating leases	86	110
Depreciation of owned assets	1,109	504
Depreciation of buses held under finance leases and hire purchase contracts	1,922	2,073
Garage closure costs	12	454

NOTE 3 DIRECTORS' EMOLUMENTS

During the period the Directors received emoluments totalling £479,000 (1996: £526,000).

The highest paid Director received emoluments of £75,000 (1996: £80,000) and is entitled to an accrued annual pension of £31,000 at the end of the period.

All nine directors were accruing retirement benefits under a defined benefit scheme.

NOTE 4 STAFF COSTS

Staff costs during the period amounted to:

	1997	1996
	£'000	£'000
Wages and salaries	21,618	21,590
Social security costs	1,792	1,741
Other pension costs	653	703
	<hr/> 24,063	<hr/> 24,034
	<hr/> <hr/>	<hr/> <hr/>

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

	1997	1996
	Number	Number
Bus operations	1,218	1,228
Bus maintenance	130	149
Management and administration	45	43
	<hr/> 1,393	<hr/> 1,420
	<hr/> <hr/>	<hr/> <hr/>

NOTE 5 NET INTEREST PAYABLE

	1997	1996
	£'000	£'000
Finance charges in respect of finance leases and hire purchase contracts	912	1,227
Costs of early termination of finance leases and hire purchase contracts	428	-
Interest income on bank deposits	(109)	(168)
	<u>1,231</u>	<u>1,059</u>

NOTE 6 TAXATION

	1997	1996
	£'000	£'000
United Kingdom corporation tax	700	862
Corporation tax over provided in prior period	-	(157)
Amount payable to parent undertaking for group relief	125	-
	<u>825</u>	<u>705</u>

The tax charge for the year has been increased by £69,000 (1996: £71,000) as a result of depreciation on non-qualifying assets, by £114,000 (1996: £66,000) as a result of other expenditure not allowable for tax purposes, reduced by £338,000 (1996: £413,000) as a result of losses surrendered by the ultimate parent company for no consideration, and reduced by £456,000 (1996: £376,000) as a result of the non-provision of deferred taxation.

NOTE 7 DIVIDENDS

	1997	1996
	£'000	£'000
Dividends paid	4,137	1,516
Dividends proposed	-	3,000
	<u>4,137</u>	<u>4,516</u>

NOTE 8 TANGIBLE FIXED ASSETS

£'000	Freehold land		Other	
<u>Cost or valuation</u>	and buildings	Buses	assets	Totals
At beginning of period	8,100	31,264	2,388	41,752
Additions	-	2,938	131	3,069
Transfers from fellow subsidiary undertaking	-	2,014	108	2,122
Disposals	-	(602)	(375)	(977)
	<u>8,100</u>	<u>35,614</u>	<u>2,252</u>	<u>45,966</u>

NOTE 8 TANGIBLE FIXED ASSETS (cont)**Depreciation**

At beginning of period	136	16,033	1,737	17,906
On transfers from fellow subsidiary	-	412	92	504
Charge for the period	67	2,745	219	3,031
Disposals	-	(472)	(372)	(844)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	203	18,718	1,676	20,597
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book value</u>				
At beginning of period	7,964	15,231	651	23,846
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	7,897	16,896	576	25,369
	<hr/>	<hr/>	<hr/>	<hr/>

Land and buildings were revalued for the Directors at 8 November 1996 by Healey & Baker, International Real Estate Consultants, on the basis of open market values for existing use. No provision has been made for tax which would become payable on disposal of revalued properties at their valuations. The historical cost of freehold buildings on which depreciation was charged was £1,365,000. The historical cost of freehold land and buildings included above at a valuation of £8,100,000 was £4,415,000. If these properties are sold for more than cost before 1 April 2004, clawback arrangements are in place such that a proportion of any surplus is repayable to the former shareholder London Regional Transport. For disposals before 1 April 1998 the proportion of surplus repayable is 60%, reducing to 50% for disposals before 1 April 2004.

The cost to the Company of the 52 buses included at valuation was £4,420 and the revaluation amount added on acquisition was £1,621,000. The basis for revaluation was the net book value of buses of a similar type and age. The revaluation reserve is reduced by a transfer to profit and loss account of £215,000 for the period relating to the depreciation charge on the revaluation.

At 7 November 1997 the net book value of leased buses was £174,000 (1996: £11,664,000).

NOTE 9 INVESTMENT

This represents the cost of 10% of the issued share capital of Routemaster Reinsurance Limited, a company incorporated in Ireland.

NOTE 10 DEBTORS

	1997 £'000	1996 £'000
Trade debtors	2,326	1,889
Amount due from parent undertaking	11	4,828
Amount due from fellow subsidiary undertaking	-	1,054
Value added tax	364	190
Other debtors	10	15
Prepayments	346	364
	<hr/>	<hr/>
	3,057	8,340
	<hr/>	<hr/>

NOTE 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £'000	1996 £'000
Hire purchase and lease obligations falling due within one year	26	2,498
Trade creditors	3,920	2,683
Amount due to parent undertakings	7,611	-
Amount due to fellow subsidiary undertaking	950	-
Corporation tax	784	862
Other taxation and social security	546	666
Receipts in advance	246	492
Fuel duty rebate received in advance	66	181
Dividend payable	-	3,000
Salary and wages accrual	1,240	1,556
Other accruals	435	560
	<u>15,824</u>	<u>12,498</u>

NOTE 12 OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Commitment expiring:				
within one year	-	12	-	3
in two to five years	5	5	-	-
	<u>5</u>	<u>17</u>	<u>-</u>	<u>3</u>

Since the year end the Company has entered into a non-cancellable operating lease for land and buildings for twenty years at an annual rental of £94,500.

NOTE 13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £'000	1996 £'000
Obligations under hire purchase agreements and finance leases:		
repayable between one and two years	28	2,513
repayable between two and five years	104	5,852
repayable after more than five years	35	715
	<u>167</u>	<u>9,080</u>

NOTE 14 PROVISIONS FOR LIABILITIES

	Claims £'000	Holiday Pay £'000	Totals £'000
At beginning of period	1,393	453	1,846
Profit and loss movement	352	(23)	329
	<u>1,745</u>	<u>430</u>	<u>2,175</u>

Claims

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

Holiday pay

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

Deferred Taxation

Deferred taxation which has not been provided amounted to:

	1997 £'000	1996 £'000
Capital allowances in excess of related depreciation	1,631	972
Other short term timing differences	(68)	-
Revaluation of fixed assets	908	1,165
	<u>2,471</u>	<u>2,137</u>

NOTE 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Total recognised gains	3,665	3,883
Dividends	(4,137)	(4,516)
	<u>(472)</u>	<u>(633)</u>
Total movements during the period	12,971	13,604
Shareholder's funds brought forward	<u>12,499</u>	<u>12,971</u>

NOTE 16 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	1997 and 1996 £
Authorised Share Capital	
Ordinary Shares of £1 each	19,000,000
Issued Share Capital	
Called up, allotted and fully paid	
Ordinary Shares of £1 each	3,576,500
Share Premium Account	
On issue of Ordinary Shares	3,575,500

NOTE 17 RESERVES

	Asset revaluation reserve £'000	Profit and loss account £'000
At beginning of period	4,719	1,100
Retained loss in the period	-	(472)
Transfer to profit and loss account	(215)	215
At end of period	<u>4,504</u>	<u>843</u>

NOTE 18 CAPITAL COMMITMENTS

At 7 November 1997 the Company had no capital commitments (1996: £14,000).

NOTE 19 CONTINGENT LIABILITIES

The Company made use of the provisions of Section 155 of the Companies Act 1985 to give security over its assets in connections with the purchase of the entire share capital of the Company by London United Busways 1994 Limited on 5 November 1994. The security takes the form of guarantees and charges over the assets of the Company and relates to advances made by Midland Bank plc to London United Busways 1994 Limited.

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

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

NOTE 20 PENSIONS

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

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

NOTE 20 PENSIONS (cont)

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

NOTE 21 PARENT UNDERTAKING

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