

**LONDON UNITED BUSWAYS LIMITED**

**REGISTERED NO: 2328561**

**FINANCIAL STATEMENTS FOR THE 52 WEEKS  
ENDED 7 NOVEMBER 2003**



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**LONDON UNITED BUSWAYS LIMITED**  
**DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

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 2003.

**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 610 buses based in South West London.

**Financial Results**

The profit for the period was £4,717,000 (2002: £3,176,000) after taxation. The Directors recommend that a dividend for £3,000,000 (2002: £3,500,000) be paid to London United Limited.

**Directors and their Interests**

The Directors who held office during the period are listed below. They held no interest in the shares of the Company.

C Beaumont  
L Birchley  
W Brooks  
R C Casling (Appointed 4/11/03)  
A McGill  
D A Lott  
F-X Perin  
M N Willis (Resigned 4/11/03)

**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.

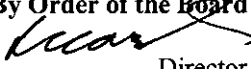
**Suppliers**

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.

**Auditors**

A resolution to re-appoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

Busways House  
Wellington Road  
Twickenham  
Middlesex TW2 5NX

By Order of the Board  
  
Director  
29<sup>th</sup> APRIL 2004

**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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
LONDON UNITED BUSWAYS LIMITED**

We have audited the financial statements on pages 4 to 17. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 7.

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

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 7 November 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Mazars*

MAZARS  
Chartered Accountants  
and Registered Auditors  
24 Bevis Marks  
London  
EC3A 7NR

Date: *7 June 2004*

**LONDON UNITED BUSWAYS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

|  | Notes | 2003<br>£'000       | 2002<br>£'000       |
|--|-------|---------------------|---------------------|
| Turnover   | 1     | 81,999              | 67,875              |
| Cost of operations                                   |       | <u>(74,195)</u>     | <u>(62,335)</u>     |
| <b>Operating profit</b>                              |       | <b>7,804</b>        | <b>5,540</b>        |
| Net interest payable and similar charges             | 5     | <u>(1,067)</u>      | <u>(1,128)</u>      |
| <b>Profit on ordinary activities before taxation</b> | 2     | <b>6,737</b>        | <b>4,412</b>        |
| Taxation   | 6     | <u>(2,020)</u>      | <u>(1,236)</u>      |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>4,717</b>        | <b>3,176</b>        |
| Dividends  |       | <u>(3,000)</u>      | <u>(3,500)</u>      |
| <b>Retained profit</b>                               | 14    | <b><u>1,717</u></b> | <b><u>(324)</u></b> |

The Company's results are all from continuing operations.

The accompanying notes are an integral part of the profit and loss account.

**Notes of historical cost profit**

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Reported profit on ordinary activities before taxation   | 6,737         | 4,412         |
| Difference between an historical cost depreciation charge and the actual depreciation charge based on the re-valued amount | <u>135</u>    | <u>-</u>      |
| Historical cost profit on ordinary activities before taxation  | <u>6,872</u>  | <u>4,412</u>  |
| Historical cost profit/(loss) retained after taxation and dividends  | <u>1,852</u>  | <u>(324)</u>  |

**LONDON UNITED BUSWAYS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

|  | <b>2003</b>  | <b>2002</b>    |
|--|--------------|----------------|
|  | <b>£'000</b> | <b>£'000</b>   |
| Profit for the financial year                              | 1,717        | (324)          |
| Unrealised surplus on revaluation of land & buildings      | <u>-</u>     | <u>4,800</u>   |
| Total recognised gains and losses relating to the year     | 1,717        | 4,476          |
| Prior year adjustment                                      | <u>-</u>     | <u>(2,545)</u> |
| Total gains and losses recognised since last annual report | <u>1,717</u> | <u>1,931</u>   |

**LONDON UNITED BUSWAYS LIMITED**  
**BALANCE SHEET**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

|  | Notes | 2003<br>£'000   | 2002<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>Fixed assets</b>  |       |                 |                 |
| Tangible assets  | 7     | 39,876          | 43,084          |
| <b>Current assets</b>  |       |                 |                 |
| Stocks   |       | 313             | 300             |
| Debtors  | 8     | 25,432          | 21,404          |
| Cash at bank and in hand                                       |       | 3,127           | 4,165           |
|  |       | <u>28,872</u>   | <u>25,869</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 9     | <u>(14,485)</u> | <u>(14,152)</u> |
| <b>Net current assets</b>                                      |       | <u>14,387</u>   | <u>11,717</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>54,263</u>   | <u>54,801</u>   |
| <b>Creditors: amounts falling due after more than One year</b> | 11    | (18,222)        | (22,480)        |
| <b>Provisions for liabilities and charges</b>                  | 12    | <u>(10,600)</u> | <u>(9,142)</u>  |
|  |       | <u>25,441</u>   | <u>23,179</u>   |
| <b>Capital and reserves</b>                                    |       |                 |                 |
| Called up share capital  | 15    | 3,576           | 3,576           |
| Share premium account  | 15    | 3,576           | 3,576           |
| Revaluation reserve  | 16    | 9,030           | 8,485           |
| Profit and loss account  | 16    | 9,259           | 7,542           |
|  |       | <u>25,441</u>   | <u>23,179</u>   |

The attached notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on *29<sup>th</sup> April* 2004 and signed on its behalf by:



R Casling  
Director  
2004

## **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.

No cash flow statement is presented as a consolidated cash flow statement is included in the financial statements of the ultimate parent undertaking.

#### **TURNOVER**

Turnover excludes value added tax and comprises of income from London Regional Transport and Transport for London 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. Freehold land is not depreciated. Depreciation is provided on the straight-line basis over the estimated useful lives of all other assets as follows:

The Company has revalued its land and building assets this year in accordance with the rules of FRS 15.

|              |   |                          |
|--------------|---|--------------------------|
| Buses        | - | range from 3 to 10 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 lesser are charged against profit as incurred.

Assets held under finance leases (and similar hire purchase agreements) are capitalised and depreciated over their useful lives. The corresponding lease and hire purchase obligations are treated in the balance sheet as liabilities. The interest element of lease and hire purchase obligations is charged to profit and loss account over the period of the agreements 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 cost less due allowance for obsolete and slow moving items.

#### **PENSIONS**

Retirement benefits are provided for the majority of Group employees by defined benefit schemes, which are funded by contributions from the Group and employees. Pension costs are accounted for on the basis of charging the expected cost of providing pensions for the period during which the Group 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 year and takes into account in full taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **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 2003**

**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:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Auditors' remuneration – audit work   | 35            | 37            |
| - other work  | 2             | 6             |
| Hire rentals under operating leases   | 3,887         | 2,553         |
| Depreciation of owned assets  | 2,417         | 2,290         |
| Depreciation of buses held under finance leases and hire purchase contracts | 1,374         | 909           |
| Profit on disposal of fixed assets  | 318           | 483           |

**NOTE 3 DIRECTORS' EMOLUMENTS**

During the period the Directors received emoluments totalling £436,000 (2002: £384,000).

The highest paid Director received emoluments of £172,000 (2002: £99,000) and is entitled to an accrued annual pension of £nil (2002: £nil) at the end of the period.

The number of directors to whom final salary retirement benefits are accruing is 3.

**NOTE 4 STAFF COSTS**

| Staff costs during the period amounted to: | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Wages and salaries                         | 44,208        | 36,729        |
| Social security                            | 4,077         | 3,178         |
| Other pension costs                        | 1,157         | 1,038         |
|  | <u>49,442</u> | <u>40,945</u> |

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

|                               | 2003<br>Number | 2002<br>Number |
|-------------------------------|----------------|----------------|
| Bus operations                | 1,811          | 1,623          |
| Engineering & Maintenance     | 132            | 131            |
| Management and administration | 49             | 47             |
|                               | <u>1,992</u>   | <u>1,801</u>   |

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

**NOTE 5 NET INTEREST PAYABLE AND SIMILAR CHARGES**

|  | <b>2003</b>    | <b>2002</b>    |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Finance charges in respect of finance leases and hire purchase contracts | (592)          | (476)          |
| Interest and similar charges in respect of other loans                   | (667)          | (851)          |
| Interest income  | 192            | 199            |
|  | <u>(1,067)</u> | <u>(1,128)</u> |

**NOTE 6 TAXATION**

**(a) Analysis of charge in the period**

|  | <b>£000</b> | <b>2003</b>  | <b>£000</b> | <b>2002</b>  |
|--|-------------|--------------|-------------|--------------|
|  |             | <b>£000</b>  | <b>£000</b> |              |
| Current Taxation                                 |             |              |             |              |
| - UK Corporation tax charge for the year         | 1,745       |              | 538         |              |
| - Adjustments in respect of prior years          | -           |              | (459)       |              |
| Total current tax                                |             | <u>1,745</u> |             | <u>79</u>    |
| Deferred Taxation                                |             |              |             |              |
| - Origination and reversal of timing differences | 275         |              | 1,157       |              |
| Total deferred tax                               |             | <u>275</u>   |             | <u>1,157</u> |
|  |             | <u>2,020</u> |             | <u>1,236</u> |

**(b) Factors affecting charge for the period**

The standard rate of tax for the year, based on the U.K. standard rate of corporation tax is 30%. The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation.

|                                    | <b>2003</b>  | <b>2002</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>£'000</b> | <b>£'000</b> |
| Standard tax charge                | 2,020        | 1,324        |
| Movement in deferred tax provision | (275)        | (1,157)      |
| Prior years tax charge/(credit)    | -            | (459)        |
| Permanent differences              | -            | 371          |
| Current tax charge for the period  | <u>1,745</u> | <u>79</u>    |

**(c) Factors that may affect tax charges**

None.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

**NOTE 7 TANGIBLE FIXED ASSETS**

| <u>Cost or valuation</u>     | <u>Freehold<br/>Land and<br/>buildings<br/>£'000</u> | <u>Buses<br/>£'000</u> | <u>Other<br/>Assets<br/>£'000</u> | <u>Totals<br/>£'000</u> |
|------------------------------|--|------------------------|-----------------------------------|-------------------------|
| At beginning of period       | 12,900   | 43,843                 | 4,201                             | 60,944                  |
| Additions                    | 1,378  | 1,459                  | 1,016                             | 3,853                   |
| Work in progress reallocated | -  | -                      | (1,058)                           | (1,058)                 |
| Disposals                    | -  | (8,101)                | (26)                              | (8,127)                 |
| At end of period             | <u>14,278</u>  | <u>37,201</u>          | <u>4,133</u>                      | <u>55,612</u>           |
| <br><u>Depreciation</u>      |  |                        |                                   |                         |
| At beginning of period       | 545  | 15,237                 | 2,078                             | 17,860                  |
| Adjustment on revaluation    | (545)  | -                      | -                                 | (545)                   |
| Charge for the period        | 203  | 3,238                  | 350                               | 3,791                   |
| Disposals                    | -  | (5,350)                | (20)                              | (5,370)                 |
| At end of period             | <u>203</u>   | <u>13,125</u>          | <u>2,408</u>                      | <u>15,736</u>           |
| <br><u>Net book value</u>    |  |                        |                                   |                         |
| At beginning of period       | <u>12,355</u>  | <u>28,606</u>          | <u>2,123</u>                      | <u>43,084</u>           |
| At end of period             | <u>14,075</u>  | <u>24,076</u>          | <u>1,725</u>                      | <u>39,876</u>           |

Land and buildings were revalued for the Directors in February 2002 by Cushman & Wakefield 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 £12,900,000 was £4,415,000. If these properties are sold for more than cost before 1 April 2004, clawback arrangements are in place such that 50% of any surplus is repayable to the former shareholder London Regional Transport. The directors have updated the valuation as at 7 November 2003.

At 7 November 2003 the net book value of buses leased and hire purchased was £13,159,000 (2002: £14,597,000).

**NOTE 8 DEBTORS**

|   | <u>2003<br/>£'000</u> | <u>2002<br/>£'000</u> |
|---|-----------------------|-----------------------|
| Trade debtors                                 | 3,861                 | 3,082                 |
| Amount due from Transdev plc                  | 2,638                 | 2,000                 |
| Amount due from Parent undertaking            | 14,763                | 14,714                |
| Amount due from Fellow Subsidiary undertaking | 2,142                 | -                     |
| Value added tax                               | 1,011                 | 920                   |
| Other debtors                                 | 18                    | 40                    |
| Prepayments                                   | 999                   | 648                   |
|   | <u>25,432</u>         | <u>21,404</u>         |

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

**NOTE 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | <b>2003</b>   | <b>2002</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| Hire purchase and lease obligations falling due within one year | 1,695         | 1,713         |
| Loans   | 2,550         | 2,550         |
| Trade creditors   | 1,681         | 2,709         |
| Corporation tax   | 659           | -             |
| Amount due to parent undertaking                                | -             | 1,137         |
| Amount due to fellow subsidiary undertaking                     | 922           | 933           |
| Other taxation and social security                              | 1,931         | 1,798         |
| Receipts in advance   | 1,442         | 1,261         |
| Fuel duty rebate received in advance                            | 337           | 201           |
| Salary and wages accrual  | 2,333         | 1,315         |
| Other accruals  | 935           | 535           |
|   | <u>14,485</u> | <u>14,152</u> |

**NOTE 10 OPERATING LEASE COMMITMENTS**

The annual commitments under non-cancellable operating leases:

|                      | <b>Land &amp;<br/>buildings</b> | <b>Other</b> | <b>Land &amp;<br/>buildings</b> | <b>Other</b> |
|----------------------|---------------------------------|--------------|---------------------------------|--------------|
|                      | <b>2003</b>                     | <b>2003</b>  | <b>2002</b>                     | <b>2002</b>  |
|                      | <b>£'000</b>                    | <b>£'000</b> | <b>£'000</b>                    | <b>£'000</b> |
| Commitment expiring: |                                 |              |                                 |              |
| within one year      | -                               | -            | -                               | -            |
| in two to five years | -                               | 1,163        | -                               | 427          |
| over five years      | 94                              | 3,752        | 94                              | 2,734        |
|                      | <u>94</u>                       | <u>4,915</u> | <u>94</u>                       | <u>3,161</u> |

**NOTE 11 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|  | <b>2003</b>   | <b>2002</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| Hire purchase and finance lease obligations: |               |               |
| repayable between one and two years          | 1,695         | 1,682         |
| repayable between two and five years         | 5,385         | 5,047         |
| repayable after more than five years         | 3,842         | 5,901         |
|  | <u>10,922</u> | <u>12,630</u> |
| Loans between one and two years              | <u>2,550</u>  | <u>2,550</u>  |
| Loans between two and five years             | 4,750         | 7,300         |
|  | <u>7,300</u>  | <u>9,850</u>  |
|  | <u>18,222</u> | <u>22,480</u> |

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

**NOTE 12 PROVISIONS FOR LIABILITIES AND CHARGE**

|   | Deferred<br>Tax | Claims       | Holiday<br>Pay | Totals        |
|---|-----------------|--------------|----------------|---------------|
|   | £000            | £'000        | £'000          | £'000         |
| At beginning of period as previously reported | 3,702           | 5,115        | 325            | 9,142         |
| Profit and loss movement                      | <u>275</u>      | <u>1,143</u> | <u>40</u>      | <u>1,458</u>  |
| At end of period                              | <u>3,977</u>    | <u>6,258</u> | <u>365</u>     | <u>10,600</u> |

**Claims**

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

**Holiday pay**

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

Details of the deferred tax provision are given in note 13.

**NOTE 13 DEFERRED TAXATION**

Deferred taxation which has been provided amounted to:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Capital allowances in excess of related depreciation | <u>3,977</u>  | <u>3,702</u>  |
|  | <u>3,977</u>  | <u>3,702</u>  |

**NOTE 14 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

|                                     | 2003<br>£'000 | 2002<br>£'000 |
|-------------------------------------|---------------|---------------|
| At beginning of period              | 23,179        | 18,703        |
| Profit for the year                 | 1,717         | (324)         |
| Revaluation adjustment              | 545           | -             |
| Revaluation of land and buildings   | -             | 4,800         |
| Shareholder's funds carried forward | <u>25,441</u> | <u>23,179</u> |

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 7 NOVEMBER 2003**

**NOTE 15 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT**

|                                    | 2003 & 2002<br>£  |
|------------------------------------|-------------------|
| <b>Authorised Share Capital</b>    |                   |
| Ordinary Shares of £1 each         | <u>19,000,000</u> |
| <b>Issued Share Capital</b>        |                   |
| Called up, allotted and fully paid | <u>3,576,500</u>  |
| Ordinary Shares of £1 each         |                   |
| <b>Share Premium Account</b>       |                   |
| On issue of Ordinary Shares        | <u>3,575,500</u>  |

**NOTE 16 RESERVES**

|   | Asset<br>Revaluation<br>Reserve<br>£'000 | Profit & loss<br>account<br>£'000 |
|---|--|-----------------------------------|
| At beginning of period as previously reported | 8,485                                    | 7,542                             |
| Retained profit in the period                 | -  | 1,717                             |
| Adjustment on revaluation                     | 545                                      | -                                 |
| At end of period                              | <u>9,030</u>                             | <u>9,259</u>                      |

**NOTE 17 CAPITAL COMMITMENTS**

As at 7<sup>th</sup> November 2003 the company has no capital commitments (2002: £2,671,000).

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the 52 weeks ended 7 November 2003**

**NOTE 18 PENSIONS**

The group operates a defined benefit pension scheme and a defined contribution pension scheme in the UK. The members of the defined benefit scheme are employees of London United Busways Limited. As a result of the acquisition of Sovereign Limited 6 employees transferred to the defined benefit scheme in 2003.

The total pension cost for the London United group was £1,155,000 (2002: £1,038,000). The defined benefit pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial valuation of the London United Busways Retirement Benefits Plan was at 1 January 2002.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £9,992,000 and the actuarial value of the assets was 23% lower than the benefits that had accrued to members, after allowing for expected future increases in earnings. The employers' contribution rate over the average remaining lives of employees in the scheme takes account of the deficiency disclosed by the valuation.

The main actuarial assumptions were:

|  |         |
|--|---------|
| Investment return – pre-retirement                   | 7.0% pa |
| Investment return – post-retirement                  | 6.0% pa |
| Pensionable pay increases                            | 4.0% pa |
| Real investment return above salary increases        | 3.0% pa |
| Pension increases (LPI)                              | 2.5% pa |
| Real investment return above pension increases (LPI) | 3.5% pa |
| Price inflation                                      | 2.5% pa |

A provision of £102,000 (2002: £68,000) is included in creditors, representing the excess of the accumulated pension cost over the amount funded in 2003.

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the 52 weeks ended 7 November 2003**

**NOTE 18 PENSIONS cont.**

**FRS 17: Retirement benefits – Additional disclosures**

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS 17 'Retirement benefits' and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 in the year ending 4 November 2006.

The actuarial valuations described have been updated at 7 November 2003 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17.

The major assumptions used by the actuary were (in nominal terms):

|   | <b>At year end<br/>7 November 2003</b> | <b>At year end<br/>8 November 2002</b> | <b>At year end<br/>9 November 2001</b> |
|---|--|--|--|
| Rate of increase in salaries<br>(including promotional) | 4.30%                                  | 3.84%                                  | 3.75%                                  |
| Rate of increase of pensions in<br>payment              | 2.80%                                  | 2.34%                                  | 2.25%                                  |
| Discount rate   | 5.57%                                  | 5.58%                                  | 5.36%                                  |
| Inflation assumption                                    | 2.80%                                  | 2.34%                                  | 2.57%                                  |

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

|                              | <b>At year end<br/>7 November 2003</b> |                 | <b>At year end<br/>8 November 2002</b> |                 | <b>At year end<br/>9 November 2001</b> |                 |
|------------------------------|--|-----------------|--|-----------------|--|-----------------|
|                              | <b>%</b>                               | <b>£'000</b>    | <b>%</b>                               | <b>£'000</b>    | <b>%</b>                               | <b>£'000</b>    |
| Equities                     | 6.50%                                  | 9,391           | 6.50%                                  | 7,506           | 6.25%                                  | 7,930           |
| Bonds                        | 5.50%                                  | 2321            | 5.50%                                  | 1,753           | 5.25%                                  | 1,982           |
| Other                        | 5.50%                                  | 80              | 5.50%                                  | 76              | 5.25%                                  | -               |
| Total market value of assets |  | <u>11,792</u>   |  | <u>9,335</u>    |  | <u>9,912</u>    |
| Actual value of liability    |  | <u>(22,315)</u> |  | <u>(17,743)</u> |  | <u>(14,712)</u> |
| Deficit in the schemes       |  | (10,523)        |  | (8,408)         |  | (4,800)         |
| Related deferred tax asset   |  | <u>3,157</u>    |  | <u>2,522</u>    |  | <u>1,440</u>    |
| Net pension liability        |  | <u>(7,366)</u>  |  | <u>(5,886)</u>  |  | <u>(3,360)</u>  |

During the 52 weeks period ending 7 November 2003 group contributions have been paid at the rate of 14.0% from 9 November 2002 to 1 January 2003 and 14.8% of pensionable pay since 1 January 2003.



**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the 52 weeks ended 7 November 2003**

**NOTE 18 PENSIONS cont.**

The following disclosures show the effect of FRS 17 had it been implemented this year:

**Analysis of the amount which would be charged to operating profit under FRS 17**

|                        | <b>Year to<br/>7 November 2003<br/>£'000</b> | <b>Year to<br/>8 November 2002<br/>£'000</b> |
|------------------------|--|--|
| Service cost           | 1,111  | 1,042  |
| Past service cost      | -  | -  |
| Total operating charge | <u>1,111</u>                                 | <u>1,042</u>                                 |

**Analysis of amount which would be credited to other finance income under FRS 17**

|  | <b>Year to<br/>7 November 2003<br/>£'000</b> | <b>Year to<br/>8 November 2002<br/>£'000</b> |
|--|--|--|
| Expected return on pension scheme assets | 628  | 631  |
| Interest on pension liabilities          | <u>(1,025)</u>                               | <u>(817)</u>                                 |
| Net return                               | <u>(397)</u>                                 | <u>(186)</u>                                 |

**Analysis of amount which would be recognised in statement of total recognised gains and losses (STRGL) under FRS 17**

|  | <b>Year to<br/>7 November 2003<br/>£'000</b> | <b>Year to<br/>8 November 2002<br/>£'000</b> |
|--|--|--|
| Actual return less expected return on assets | 581  | (2,251)                                      |
| Experience gains and losses on liabilities   | 154  | (440)  |
| Changes in assumptions                       | <u>(2,463)</u>                               | <u>(724)</u>                                 |
| Actuarial (loss) recognised in STRGL         | (1,728)                                      | (3,415)                                      |
| Adjustment due to surplus cap                | -  | -  |
| Net (loss) recognised                        | <u>(1,728)</u>                               | <u>(3,415)</u>                               |

**Movement in deficit during the year under FRS 17**

|  | <b>Year to<br/>7 November 2003<br/>£'000</b> | <b>Year to<br/>8 November 2002<br/>£'000</b> |
|--|--|--|
| Deficit in scheme at beginning of year | (8,408)                                      | (4,800)                                      |
| Movement in year:                      |  |  |
| Current service cost                   | (1,111)                                      | (1,042)                                      |
| Past service costs                     | -  | -  |
| Interest cost                          | (397)  | (186)  |
| Actuarial loss                         | (1,728)                                      | (3,415)                                      |
| Contributions                          | <u>1,121</u>                                 | <u>1,035</u>                                 |
| Deficit in scheme at end of year       | <u>(10,523)</u>                              | <u>(8,408)</u>                               |

**LONDON UNITED BUSWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the 52 weeks ended 7 November 2003**

**NOTE 18 PENSIONS cont.**

|  | <b>2003</b> | <b>2002</b> |
|--|-------------|-------------|
| <b>History of experience gains and losses</b>  |             |             |
| Difference between expected and actual return on scheme assets:  |             |             |
| Amount (£'000)   | 581         | (2,251)     |
| Percentage of scheme assets  | 5%          | 24%         |
| Experience gains and losses on scheme liabilities:   |             |             |
| Amount (£'000)   | 154         | (440)       |
| Percentage of scheme assets  | 1%          | 2%          |
| Total amount which would have been recognised in the statement of total recognised gains and losses under FRS17: |             |             |
| Amount (£'000)   | (1,728)     | (3,415)     |
| Percentage of scheme liabilities   | 8%          | 19%         |

**NOTE 19 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 Limited (formerly London United Busways 1994 Limited), a company registered in England and Wales.