

LONDON UNITED BUSWAYS LIMITED

REGISTERED NO: 2328561

**FINANCIAL STATEMENTS FOR THE 53 WEEKS
ENDED 12 NOVEMBER 1999**



LONDON UNITED BUSWAYS LIMITED
DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 12 NOVEMBER 1999

The Directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the 53 weeks ended 12 November 1999.

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 £1,540,000 (1998: £3,769,000) after taxation. The Directors recommend that no dividends be paid.

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.

D E Humphrey (resigned 30.7.99)
S F H Lawes
M Lewis (resigned 31.8.99)
W J Cahill (resigned 19.11.99)
A E Juniper
D A Lott
R M Wiseman
S de Beaux (appointed 1.9.99)
A Thompson (appointed 10.11.99 until 2.12.99)

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
S F H Lawes
Director
28 February 2000

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 AUDITORS TO THE MEMBERS OF
LONDON UNITED BUSWAYS LIMITED

We have audited the financial statements on pages 4 to 12 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.

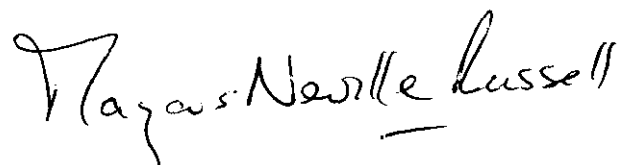
Basis of Opinion

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 12 November 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL
Chartered Accountants
Registered Auditor
28 February 2000

LONDON UNITED BUSWAYS LIMITED
PROFIT AND LOSS ACCOUNT
for the 53 weeks ended 12 November 1999

	Notes	1999 £'000	1998 £'000
Turnover	1	45,745	44,707
Cost of operations		(43,888)	(39,878)
Operating Profit		1,857	4,829
Net interest receivable	5	74	110
Profit on ordinary activities before taxation	2	1,931	4,939
Taxation	6	(391)	(1,170)
Profit on ordinary activities after taxation		1,540	3,769
Dividends		-	-
Retained profit	15	1,540	3,769

The Company's results are all from continuing operations

Movements in reserves are set out in Note 15 to these financial statements.

Note of historical cost profit

Reported profit on ordinary activities before taxation	1,931	4,939
Difference between an historical cost depreciation charge and the actual depreciation charge based on the revalued amount	242	252
Historical cost profit on ordinary activities before taxation	2,173	5,191
Historical cost profit retained after taxation and dividends	1,782	4,021

LONDON UNITED BUSWAYS LIMITED
BALANCE SHEET
at 12 November 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	7	<u>28,397</u>	<u>26,247</u>
Current assets			
Stocks		516	565
Debtors	8	5,042	3,303
Cash at bank and in hand		<u>3,289</u>	<u>1,256</u>
		8,847	5,124
Current Liabilities			
Creditors: amounts falling due within one year	9	<u>(13,015)</u>	<u>(12,734)</u>
Net current liabilities		<u>(4,168)</u>	<u>(7,610)</u>
Total assets less current liabilities		<u>24,229</u>	<u>18,637</u>
Creditors: amounts falling due after more than one year	11	(3,615)	(138)
Provisions for liabilities and charges	12	(2,806)	(2,231)
Net assets		<u><u>17,808</u></u>	<u><u>16,268</u></u>
Capital and reserves			
Called up share capital	14	3,576	3,576
Share premium account	14	3,576	3,576
Revaluation reserve	15	4,010	4,252
Profit and loss account	15	<u>6,646</u>	<u>4,864</u>
		<u><u>17,808</u></u>	<u><u>16,268</u></u>

The financial statements were approved by the Board of Directors on 28 February 2000 and signed on its behalf by:



S F H Lawes
Director
28 February 2000

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 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. 44 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 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.

GOODWILL

Purchased and consolidated goodwill is amortised through the profit and loss account over its estimated economic life.

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

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 53 weeks ended 12 November 1999

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/(crediting) the following amounts:

	1999 £'000	1998 £'000
Auditors' remuneration – audit work	24	19
Hire rentals under operating leases	455	221
Depreciation of owned assets	3,215	3,124
Depreciation of buses held under finance leases and hire purchase contracts	107	34
Goodwill acquired and written off during the period	-	209
Rates rebates	-	(229)
Costs of termination of Airbus routes	236	-

NOTE 3 DIRECTORS' EMOLUMENTS

During the period the Directors received emoluments totalling £427,000 (1998: £429,000).

The highest paid Director received emoluments of £77,000 (1998: £83,000) and is entitled to an accrued annual pension of £9,590 (1998: £33,691) at the end of the period.

All Directors except those appointed during the period, were accruing retirement benefits under a defined benefit scheme.

NOTE 4 STAFF COSTS

Staff costs during the period amounted to:

	1999 £'000	1998 £'000
Wages and salaries	24,909	22,595
Social security costs	2,020	1,891
Other pension costs	712	680
	<u>27,641</u>	<u>25,166</u>

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

	1999 Number	1998 Number
Bus operations	1,243	1,200
Bus maintenance	112	119
Management and administration	49	41
	<u>1,404</u>	<u>1,360</u>

NOTE 5 NET INTEREST RECEIVABLE/(PAYABLE)

	1999 £'000	1998 £'000
Finance charges in respect of finance leases and hire purchase contracts	(74)	(17)
Interest income	148	127
	<u>74</u>	<u>110</u>

NOTE 6 TAXATION

	1999 £'000	1998 £'000
United Kingdom corporation tax at the rate of 30% (1998: 31%)	-	619
Corporation tax over provision in prior years	(67)	-
Amount payable to parent undertaking for group relief	458	551
	<u>391</u>	<u>1,170</u>

The taxation charge was reduced from the standard rate of corporation tax principally by capital allowances exceeding depreciation charges.

NOTE 7 TANGIBLE FIXED ASSETS

£'000 <u>Cost or valuation</u>	Freehold land and buildings	Buses	Other assets	Totals
At beginning of period	8,100	38,076	2,513	48,689
Additions	-	5,966	470	6,436
Disposals	-	(3,402)	(253)	(3,655)
At end of period	<u>8,100</u>	<u>40,640</u>	<u>2,730</u>	<u>51,470</u>

Depreciation

At beginning of period	272	20,405	1,765	22,442
Charge for the period	68	2,975	279	3,322
Disposals	-	(2,506)	(185)	(2,691)
At end of period	<u>340</u>	<u>20,874</u>	<u>1,859</u>	<u>23,073</u>

Net book value

At beginning of period	<u>7,828</u>	<u>17,671</u>	<u>748</u>	<u>26,247</u>
At end of period	<u>7,760</u>	<u>19,766</u>	<u>871</u>	<u>28,397</u>

NOTE 7 TANGIBLE FIXED ASSETS (contd)

Land and buildings were revalued for the Directors at 20 February 1998 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 50% of any surplus is repayable to the former shareholder London Regional Transport.

The cost to the Company of the 44 buses included at valuation was £3,740 and the revaluation amount added on acquisition was £1,371,000. 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 £242,000 for the period relating to the depreciation charge on the revaluation.

At 12 November 1999 the net book value of buses leased and hire purchased was £4,029,000 (1998: £156,400).

NOTE 8 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	2,258	2,674
Amount due from parent undertaking	1,886	-
Value added tax	218	198
Other debtors	9	8
Prepayments	671	423
	<u>5,042</u>	<u>3,303</u>

NOTE 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Hire purchase and lease obligations falling due within one year	432	28
Bank overdraft	259	335
Trade creditors	1,926	1,451
Amount due to parent undertaking	4,561	5,654
Amount due to fellow subsidiary undertaking	1,769	1,904
Corporation tax	503	591
Other taxation and social security	986	718
Receipts in advance	124	172
Fuel duty rebate received in advance	288	240
Salary and wages accrual	1,621	1,128
Other accruals	546	513
	<u>13,015</u>	<u>12,734</u>

NOTE 10 OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases:

	Land & Buildings	Other	Land & Buildings	Other
	1999	1999	1998	1998
	£'000	£'000	£'000	£'000
Commitment expiring:				
within one year	30	-	-	-
in two to five years	-	520	30	-
over 5 years	94	-	94	-
	<u>124</u>	<u>520</u>	<u>124</u>	<u>-</u>

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

	1999	1998
	£'000	£'000
Hire purchase and finance lease obligations:		
repayable between one and two years	436	31
repayable between two and five years	1,676	107
repayable after more than five years	1,503	-
	<u>3,615</u>	<u>138</u>

NOTE 12 PROVISIONS FOR LIABILITIES AND CHARGES

	Claims	Holiday Pay	Totals
	£'000	£'000	£'000
At beginning of period	1,785	446	2,231
Profit and loss movement	<u>598</u>	<u>(23)</u>	<u>575</u>
	<u>2,383</u>	<u>423</u>	<u>2,806</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.

NOTE 12 PROVISION FOR LIABILITIES AND CHARGES (Contd)**Deferred Taxation**

Deferred taxation which has not been provided amounted to:

	1999 £'000	1998 £'000
Capital allowances in excess of related depreciation	2,048	1,812
Other short term timing differences	(96)	(123)
Revaluation of fixed assets	763	814
	<u>2,715</u>	<u>2,503</u>

NOTE 13 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	1999 £'000	1998 £'000
Total recognised gains	1,499	3,769
Shareholder's funds brought forward	16,268	12,499
	<u>17,767</u>	<u>16,268</u>

NOTE 14 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	1999 and 1998 £
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 15 RESERVES

	Asset revaluation reserve £'000	Profit and loss account £'000
At beginning of period	4,252	4,864
Retained profit in the period	-	1,499
Transfer to profit and loss account	(242)	242
	<u>4,010</u>	<u>6,605</u>

NOTE 16 CAPITAL COMMITMENTS

At 12 November 1999 the Company had contracted to purchase buses and other assets at a total cost of £1,629,000 (1998 : £ 203,110).

At 12 November 1999 the Company had secured contracts for the operation of bus services which will require the purchase of new buses with an expected cost of approximately £9.7 million during the year to November 2000.

NOTE 17 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.

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. 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 18 POST BALANCE SHEET EVENT

On 4 February 2000 the Company sold the remainder of the assets and goodwill of its Airbus division for approximately £2.1 million cash. No material profit or loss arose as a consequence of this sale.

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 Busways 1994 Limited, a company registered in England and Wales.