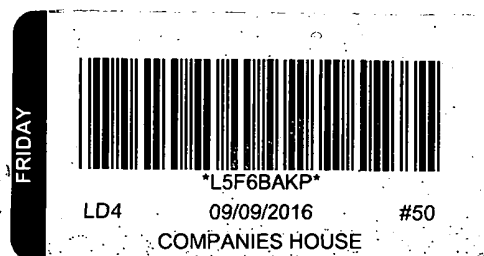


REGISTERED NUMBER: 02328561 (England and Wales)

LONDON UNITED BUSWAYS LIMITED

Strategic Report, Report of the Directors and

Financial Statements for the Period 6 December 2014 to 11 December 2015



LONDON UNITED BUSWAYS LIMITED

Contents of the Financial Statements for the period 6 December 2014 to 11 December 2015

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LONDON UNITED BUSWAYS LIMITED

Company Information
for the period 6 December 2014 to 11 December 2015

DIRECTORS:

M R Bulmer
K R Fuller
T D W Jackson
F Rodet
R D Shillingford
P Richardson
C Vacheron
H C Goodbourn

REGISTERED OFFICE:

Busways House
Wellington Road
Twickenham
TW2 5NX

REGISTERED NUMBER:

02328561 (England and Wales)

AUDITOR:

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

LONDON UNITED BUSWAYS LIMITED

Strategic Report for the period 6 December 2014 to 11 December 2015

The directors present their strategic report for the period 6 December 2014 to 11 December 2015.

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.

As shown in the company's income statement on page 6, the company's turnover has increased by 4.33% from £163,068,000 in 2014 to £170,127,000 in 2015. Contractual revenue increased by 3.3% from a combination of route renewals the accounting year being 53 weeks compared to the previous 52 week period and improved on the road performance. Commercial revenue increased by 1%.

The statement of financial position on page 8 of the financial statements shows the net assets have increased by £3,752,000 during the year. The increase is largely generated from the revaluation of land and buildings.

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 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 20 to the financial statements.

The company is also exposed to insurance costs. Details of provision against claims can be found in note 21 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:



H C Goodbourn - Director

Date: 7.9.16

LONDON UNITED BUSWAYS LIMITED

Report of the Directors for the period 6 December 2014 to 11 December 2015

The directors present their report with the financial statements of the company for the period 6 December 2014 to 11 December 2015.

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Report of the Directors have been omitted as they are included in the Strategic Report on page 2. These matters relate to the review and analysis of the business, development and financial performance, future prospects and the principal risks and uncertainties.

DIVIDENDS

No interim dividend was paid during the period (2014: £nil). The directors approved a final dividend of £0.28 per share (2014: £1.09). The total distribution of dividends for the period ended 11 December 2015 was £1,000,000 (2014: £3,900,000).

FUTURE DEVELOPMENTS

The directors consider the operating performance to be in line with their expectations. The directors believe the company's continuing focus on operational efficiencies and quality will enable the company to generate a satisfactory result next year.

DIRECTORS

The directors shown below have held office during the whole of the period from 6 December 2014 to the date of this report.

M R Bulmer
K R Fuller
T D W Jackson
F Rodet

Other changes in directors holding office are as follows:

R D Shillingford - appointed 21 January 2015
L Birchley - resigned 22 January 2015

P Richardson, C Vacheron and H C Goodbourn were appointed as directors after 11 December 2015 but prior to the date of this report.

R Casling and R J Hall ceased to be directors after 11 December 2015 but prior to the date of this report.

DIRECTORS LIABILITIES

The company maintains directors' and officers' liability insurance in respect of legal action that might be brought against its directors. The company has indemnified each of its directors and other officers of the company against certain liabilities that may be incurred as a result of their offices.

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 20.

POLITICAL DONATIONS AND EXPENDITURE

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

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.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

LONDON UNITED BUSWAYS LIMITED

Report of the Directors for the period 6 December 2014 to 11 December 2015

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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 AUDITOR

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 auditor is 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 auditor is aware of that information.

AUDITOR

Mazars LLP, have indicated their willingness to continue as auditor to the company for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



H C Goodbourn - Director

Date: 7.9.16

**Independent Auditors' Report to the Member of
London United Busways Limited**

We have audited the financial statements of London United Busways Limited for the period ended 11 December 2015 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. 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.

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. This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 11 December 2015 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.



Jonathan Seaman (Senior Statutory Auditor)
for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 8 September 2016

LONDON UNITED BUSWAYS LIMITED

**Income Statement
for the period 6 December 2014 to 11 December 2015**

		Period 6.12.14 to 11.12.15	Period 7.12.13 to 5.12.14 as restated £'000
	Notes	£'000	
CONTINUING OPERATIONS			
Revenue		170,127	163,068
Administrative expenses		<u>(165,024)</u>	<u>(157,952)</u>
OPERATING PROFIT		5,103	5,116
Finance costs	4	(334)	(273)
Finance income	4	<u>368</u>	<u>307</u>
PROFIT BEFORE INCOME TAX	5	5,137	5,150
Income tax	7	<u>(950)</u>	<u>(1,122)</u>
PROFIT FOR THE PERIOD		<u><u>4,187</u></u>	<u><u>4,028</u></u>

LONDON UNITED BUSWAYS LIMITED

**Statement of Other Comprehensive Income
for the period 6 December 2014 to 11 December 2015**

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 as restated £'000
PROFIT FOR THE PERIOD	4,187	4,028
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Actuarial losses on retirement benefit	(2,256)	(3,296)
Revaluation of land and buildings	3,447	19,500
Income tax relating to revaluation reserve	(13)	(3,703)
Income tax relating to items of other comprehensive income	<u>202</u>	<u>659</u>
	1,380	13,160
Items that may be reclassified subsequently to profit or loss:		
Net fair value losses on cash flow hedges	(939)	(2,216)
Income tax relating to item of other comprehensive income	<u>124</u>	<u>443</u>
	(815)	(1,773)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>565</u>	<u>11,387</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>4,752</u></u>	<u><u>15,415</u></u>

LONDON UNITED BUSWAYS LIMITED (REGISTERED NUMBER: 02328561)

**Statement of Financial Position
11 December 2015**

		2015	2014 as restated
	Notes	£'000	£'000
NON-CURRENT ASSETS			
Goodwill	9	1,500	1,500
Intangible assets	10	834	773
Property, plant and equipment	11	46,024	42,909
Financial assets	20	683	-
Deferred tax	22	<u>3,270</u>	<u>2,691</u>
		<u>52,311</u>	<u>47,873</u>
CURRENT ASSETS			
Inventories	12	662	633
Trade and other receivables	13	20,185	16,898
Financial assets	20	1,378	870
Cash and cash equivalents	14	<u>3,610</u>	<u>3,488</u>
		<u>25,835</u>	<u>21,889</u>
TOTAL ASSETS		<u>78,146</u>	<u>69,762</u>
SHAREHOLDER'S FUNDS			
Called up share capital	15	3,576	3,576
Share premium	16	3,576	3,576
Revaluation reserve	16	29,237	26,041
Other reserves	16	(2,601)	(1,786)
Retained earnings	16	<u>3,588</u>	<u>2,217</u>
TOTAL EQUITY		<u>37,376</u>	<u>33,624</u>
NON-CURRENT LIABILITIES			
Financial liabilities	18	1,930	613
Pension liability	23	12,432	10,195
Deferred tax	22	<u>6,231</u>	<u>6,111</u>
		<u>20,593</u>	<u>16,919</u>
CURRENT LIABILITIES			
Trade and other payables	17	12,147	12,380
Financial liabilities	18	3,544	2,797
Tax payable		353	71
Provisions	21	<u>4,133</u>	<u>3,971</u>
		<u>20,177</u>	<u>19,219</u>
TOTAL LIABILITIES		<u>40,770</u>	<u>36,138</u>
TOTAL EQUITY AND LIABILITIES		<u>78,146</u>	<u>69,762</u>

The financial statements were approved by the Board of Directors on 7.9.16 and were signed on its behalf by:



.....
H C Goodbourn - Director

LONDON UNITED BUSWAYS LIMITED

**Statement of Changes in Equity
for the period 6 December 2014 to 11 December 2015**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 7 December 2013	3,576	4,488	3,576
Changes in equity			
Comprehensive income			
Profit for the year	-	4,028	-
Revaluation reserve transfer	-	238	-
Deferred tax on revaluation reserve	-	-	-
Revaluation of land and buildings	-	-	-
Actuarial losses on retirement benefit plans	-	(3,296)	-
Deferred tax on retirement benefit plans	-	659	-
Net fair value loss on cash flow hedge	-	-	-
Deferred tax on fair value of cash flow hedges	-	-	-
Total comprehensive income	-	1,629	-
Dividends	-	(3,900)	-
Balance at 5 December 2014 (as restated)	<u>3,576</u>	<u>2,217</u>	<u>3,576</u>
Changes in equity			
Comprehensive income			
Profit for the year	-	4,187	-
Revaluation reserve transfer	-	238	-
Deferred tax on revaluation reserve	-	-	-
Revaluation of land and buildings	-	-	-
Actuarial losses on retirement benefit plans	-	(2,256)	-
Deferred tax on retirement benefit plans	-	202	-
Net fair value loss on cash flow hedge	-	-	-
Deferred tax on fair value of cash flow hedges	-	-	-
Total comprehensive income	-	2,371	-
Dividends	-	(1,000)	-
Balance at 11 December 2015	<u><u>3,576</u></u>	<u><u>3,588</u></u>	<u><u>3,576</u></u>

LONDON UNITED BUSWAYS LIMITED

**Statement of Changes in Equity - continued
for the period 6 December 2014 to 11 December 2015**

	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 7 December 2013	10,482	(13)	22,109
Changes in equity			
Comprehensive income			
Profit for the year	-	-	4,028
Revaluation reserve transfer	(238)	-	-
Deferred tax on revaluation reserve	(3,703)	-	(3,703)
Revaluation of land and buildings	19,500	-	19,500
Actuarial losses on retirement benefit plans	-	-	(3,296)
Deferred tax on retirement benefit plans	-	-	659
Net fair value loss on cash flow hedge	-	(2,216)	(2,216)
Deferred tax on fair value of cash flow hedges	-	443	443
Total comprehensive income	15,559	(1,773)	15,415
Dividends	-	-	(3,900)
Balance at 5 December 2014 (as restated)	26,041	(1,786)	33,624
Changes in equity			
Comprehensive income			
Profit for the year	-	-	4,187
Revaluation reserve transfer	(238)	-	-
Deferred tax on revaluation reserve	(13)	-	(13)
Revaluation of land and buildings	3,447	-	3,447
Actuarial losses on retirement benefit plans	-	-	(2,256)
Deferred tax on retirement benefit plans	-	-	202
Net fair value loss on cash flow hedge	-	(939)	(939)
Deferred tax on fair value of cash flow hedges	-	124	124
Total comprehensive income	3,196	(815)	4,752
Dividends	-	-	(1,000)
Balance at 11 December 2015	29,237	(2,601)	37,376

LONDON UNITED BUSWAYS LIMITED

**Statement of Cash Flows
for the period 6 December 2014 to 11 December 2015**

	Notes	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Cash flows from operating activities			
Cash generated from operations	1	3,444	6,205
Interest paid		(15)	(20)
Interest element of finance lease payments paid		(10)	(7)
Tax paid		<u>(813)</u>	<u>(292)</u>
Net cash used in operating activities		<u>2,606</u>	<u>5,886</u>
 Cash flows from investing activities			
Purchase of intangible fixed assets		(52)	(83)
Purchase of tangible fixed assets		(1,734)	(1,856)
Interest received		<u>368</u>	<u>307</u>
Net cash used in investing activities		<u>(1,418)</u>	<u>(1,632)</u>
 Cash flows from financing activities			
New finance lease in year		-	300
Payment of finance lease liabilities		(66)	(38)
Equity dividends paid		<u>(1,000)</u>	<u>(3,900)</u>
Net cash used in financing activities		<u>(1,066)</u>	<u>(3,638)</u>
 Increase in cash and cash equivalents		<u>122</u>	<u>616</u>
Cash and cash equivalents at beginning of period	2	<u>3,488</u>	<u>2,872</u>
 Cash and cash equivalents at end of period	2	<u><u>3,610</u></u>	<u><u>3,488</u></u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Statement of Cash Flows for the period 6 December 2014 to 11 December 2015

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

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Profit before income tax	5,137	5,150
Depreciation and amortisation charges	2,057	2,297
Finance costs	334	273
Finance income	<u>(368)</u>	<u>(307)</u>
	7,160	7,413
(Increase)/decrease in inventories	(29)	123
(Increase)/decrease in trade and other receivables	(3,287)	1,057
Decrease in trade and other payables	(233)	(1,173)
Increase/(decrease) in provisions	162	(385)
Difference between pension charge and cash contributions	<u>(329)</u>	<u>(830)</u>
Cash generated from operations	<u>3,444</u>	<u>6,205</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 11 December 2015

	11.12.15 £'000	6.12.14 £'000
Cash and cash equivalents	<u>3,610</u>	<u>3,488</u>

Period ended 5 December 2014

	5.12.14 £'000	7.12.13 £'000
Cash and cash equivalents	<u>3,488</u>	<u>2,872</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements for the period 6 December 2014 to 11 December 2015

1. GENERAL INFORMATION

London United Busways Limited is a limited liability company incorporated and domiciled in England and Wales. The address of the registered office is Busways House, Wellington Road, Twickenham, TW2 5NX.

The principal activity of the company is the provision of road passenger transport services in Greater London.

The company's financial statements are presented in pound sterling and all values are rounded to the nearest thousand pound.

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, the impairment of assets, the key actuarial assumptions underlying the defined benefit scheme as explained in note 23 as well as the revaluation of land and buildings as explained in note 11.

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.

All revenue is considered to represent the rendering of services in the United Kingdom.

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 6 December 2014 to 11 December 2015

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.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued
for the period 6 December 2014 to 11 December 2015

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
Plant and machinery	- 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.

ASSETS UNDER CONSTRUCTION

Assets under construction consist of the historical cost of assets under construction and not in use as at the Balance Sheet date. Depreciation is not charged against the asset until its completion and it has started to be utilised.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

2. ACCOUNTING POLICIES - continued

FINANCIAL INSTRUMENTS

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, which in the case of loans and borrowings, is net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

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. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash flow hedges

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.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

2. ACCOUNTING POLICIES - continued

INVENTORIES

Inventories consist of fuel as well as 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.

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 COMMITMENTS

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. 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 6 December 2014 to 11 December 2015

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 EFFECTIVE IN THE YEAR

The following new standards, amendments and interpretations, issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee or IFRIC), became effective this year and have been applied in preparing these consolidated financial statements. None of these adopted items had a material impact on the Group's financial statements for the year.

Standard

New or revised standards adopted in the year
IFRIC 21 'Levies'

Amendments adopted in the year

Amendments to IAS 36, Impairment of Assets
Amendments to IAS 39, Financial Instruments: Recognition and Measurement
IFRS 10, Consolidated Financial Statements
IFRS 11, Joint Arrangements
IFRS 12, Disclosure of Interests in Other Entities
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

2. ACCOUNTING POLICIES - continued

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, amendments and interpretations, issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee or IFRIC), are effective for periods beginning after 11 December 2015 and have not been applied in preparing these consolidated financial statements.

New/revised international financial reporting standards	Effective date
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions	1 February 2015
Annual Improvements to IFRSs 2010 - 2012 Cycle	1 February 2015
Annual Improvements to IFRSs 2011 - 2013 Cycle	1 January 2015
Annual Improvements to IFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to IAS 1, Disclosure Initiative	1 January 2016
Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets	1 January 2016
Amendments to IAS 7, Statement of Cash Flows	1 January 2017
Amendments to IAS 12, Income Taxes	1 January 2017
Amendments to IFRS 2, Share-based Payments	1 January 2018
IFRS 15, Revenue from Contracts with Customers	1 January 2018
IFRS 9, Financial Instruments	1 January 2018
IFRS 16, Leases	1 January 2019

The Directors do not expect that the adoption of the above pronouncements will have a material impact to the financial statements in the period of initial application other than disclosure with the possible exemption of IFRS 15, Revenue from Contracts with Customers and IFRS 16 Leases. The company will assess the impact of IFRS 15 and IFRS 16 and plans to adopt the new standards on the required effective date.

FAIR VALUE MEASUREMENT

The company measures financial instruments such as derivatives and property plant and equipment under the revaluation model at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

2. ACCOUNTING POLICIES - continued

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

PRIOR PERIOD ADJUSTMENTS

The result from the revaluation of land and buildings done in December 2015 showed a significant increase, as the previous valuation had been done in 2009 the company felt it should treat some of the revaluation as if a revaluation had been done in 2014, the following adjustments were made to the comparative period:

	Debit £'000	Credit £'000
Freehold land and buildings - cost	17,466	
Freehold land and buildings - depreciation	2,034	
Deferred tax liability		3,664
Revaluation reserve net of deferred tax		15,836
	<u>19,500</u>	<u>19,500</u>

Changes to shareholder's equity as a result of these adjustments are as follows:

	£'000
Shareholder's equity as at 5 December 2014 before prior year adjustments	17,788
Revaluation of land and buildings	19,500
Deferred tax provision of revaluation of land and buildings	(3,664)
Shareholder's equity as at 5 December 2014 after prior year adjustments	<u>33,624</u>

3. EMPLOYEES AND DIRECTORS

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Wages and salaries	85,708	79,965
Social security costs	8,322	7,894
Other pension costs	5,288	4,541
	<u>99,318</u>	<u>92,390</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

3. EMPLOYEES AND DIRECTORS - continued

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

	Period 6.12.14 to 11.12.15	Period 7.12.13 to 5.12.14
Bus operation	2,361	2,382
Engineering and maintenance	144	154
Management and administration	<u>66</u>	<u>71</u>
	<u>2,571</u>	<u>2,607</u>

	Period 6.12.14 to 11.12.15 £	Period 7.12.13 to 5.12.14 £
Directors remuneration	452,465	358,519
Directors pension contributions	<u>15,947</u>	<u>30,130</u>
	<u>468,412</u>	<u>388,649</u>

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

Money purchase schemes	<u>5</u>	<u>3</u>
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Information regarding the highest paid director is as follows:

	Period 6.12.14 to 11.12.15 £	Period 7.12.13 to 5.12.14 £
Aggregate remuneration	189,653	133,354
Directors pension contributions	<u>926</u>	<u>719</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

4. NET FINANCE INCOME

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Finance income:		
Deposit account interest	8	7
Interest received from group undertakings	360	300
	<u>368</u>	<u>307</u>
Finance costs:		
Other interest payable	15	20
Hire purchase	10	7
Net pension interest payable	309	246
	<u>334</u>	<u>273</u>
Net finance income	<u>34</u>	<u>34</u>

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Cost of inventories recognised as expense	26,967	27,793
Hire of plant and machinery	13,428	13,263
Operating leases – land and buildings	1,020	968
Depreciation - owned assets	1,801	2,069
Other amortisation	17	17
Computer software amortisation	239	211

6. AUDITORS' REMUNERATION

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Fees payable to the company's auditors for:		
The audit of the company's financial statements	41	43
Other assurance services	8	6
	<u>49</u>	<u>49</u>

The fee paid to the auditors in the prior year related to amounts paid to the company's previous auditor.

LONDON UNITED BUSWAYS LIMITED

**Notes to the Financial Statements - continued
for the period 6 December 2014 to 11 December 2015**

7. INCOME TAX

Analysis of tax expense

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Current tax:		
Tax	1,036	1,037
Prior year adjustment	<u>60</u>	<u>19</u>
Total current tax	1,096	1,056
Deferred tax:		
Current year	<u>(146)</u>	<u>66</u>
Total tax expense in income statement	<u>950</u>	<u>1,122</u>

FACTORS AFFECTING THE TAX EXPENSE

The tax assessed for the period is lower (2014 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Profit on ordinary activities before income tax	<u>5,137</u>	<u>5,150</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.310% (2014 - 21.613%)	1,043	1,113
Effects of:		
Adjustment in respect of previous periods	61	19
Difference between tax rates	(71)	(12)
Permanent differences	7	15
Effect of provisions movements reflected in deferred tax compared to current tax	(90)	(13)
Tax expense	<u>950</u>	<u>1,122</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

7. INCOME TAX - continued

Tax effects relating to effects of other comprehensive income

06/12/14 to 11/12/15

	Gross £'000	Tax £'000	Net £'000
Net fair value losses on cash flow hedges	(939)	124	(815)
Actuarial losses on retirement benefit	(2,256)	202	(2,054)
Revaluation of land and buildings	3,447	(13)	3,434
	<u>252</u>	<u>313</u>	<u>565</u>

07/12/13 - 05/12/14 as restated

	Gross £'000	Tax £'000	Net £'000
Net fair value losses on cash flow hedges	(2,216)	443	(1,773)
Actuarial losses on retirement benefit	(3,296)	659	(2,637)
Revaluation of land and buildings	19,500	(3,703)	15,797
	<u>13,988</u>	<u>(2,601)</u>	<u>11,387</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

From 1 April 2015 the UK corporation tax rate was reduced from 21% to 20%. On 26 October 2015 Parliament substantively enacted a corporation tax rate of 19% to apply from 1 April 2017 and of 18% to apply from 1 April 2020. Deferred tax has been provided at the rate at which it is expected the relevant timing differences will reverse.

8. DIVIDENDS

	Period 6.12.14 to 11.12.15 £'000	Period 7.12.13 to 5.12.14 £'000
Ordinary shares of £1 each		
Final	<u>1,000</u>	<u>3,900</u>

9. GOODWILL

	£'000
COST	
At 6 December 2014	
and 11 December 2015	<u>1,500</u>
NET BOOK VALUE	
At 11 December 2015	<u>1,500</u>
At 5 December 2014	<u>1,500</u>

Goodwill has been measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts covering a five-year period and is allocated to the appropriate cash generating unit. In the case of goodwill in NSL Challenger, the period reviewed in terms of financial forecasts is five years. The key assumptions for the value in use calculations are those regarding the discount rates, routes contribution and expected changes to direct costs during the period. The rate used to discount the forecast cash flows from each unit is 9.3%. No reasonable change in the assumptions would result in an impairment.

LONDON UNITED BUSWAYS LIMITED

**Notes to the Financial Statements - continued
for the period 6 December 2014 to 11 December 2015**

10. INTANGIBLE ASSETS

	Other £'000	Computer software £'000	Totals £'000
COST			
At 6 December 2014	123	2,268	2,391
Additions	-	52	52
Reclassification/transfer	-	265	265
At 11 December 2015	<u>123</u>	<u>2,585</u>	<u>2,708</u>
AMORTISATION			
At 6 December 2014	84	1,534	1,618
Amortisation for period	<u>17</u>	<u>239</u>	<u>256</u>
At 11 December 2015	<u>101</u>	<u>1,773</u>	<u>1,874</u>
NET BOOK VALUE			
At 11 December 2015	<u>22</u>	<u>812</u>	<u>834</u>
At 5 December 2014	<u>39</u>	<u>734</u>	<u>773</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land & buildings £'000	Leasehold improvements £'000	Assets under construction £'000
COST OR VALUATION			
At 6 December 2014	38,434	3,194	1,011
Additions	45	4	423
Revaluation adjustment	2,901	-	-
Reclassification/transfer	<u>321</u>	<u>7</u>	<u>(648)</u>
At 11 December 2015	<u>41,701</u>	<u>3,205</u>	<u>786</u>
DEPRECIATION			
At 6 December 2014	-	2,534	-
Charge for period	546	232	-
Revaluation adjustments	<u>(546)</u>	<u>-</u>	<u>-</u>
At 11 December 2015	<u>-</u>	<u>2,766</u>	<u>-</u>
NET BOOK VALUE			
At 11 December 2015	<u>41,701</u>	<u>439</u>	<u>786</u>
At 5 December 2014	<u>38,434</u>	<u>660</u>	<u>1,011</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued **for the period 6 December 2014 to 11 December 2015**

11. PROPERTY, PLANT AND EQUIPMENT - continued

	Other assets £'000	Plant and machinery £'000	Totals £'000
COST OR VALUATION			
At 6 December 2014	14,126	7,363	64,128
Additions	1,054	208	1,734
Revaluations	-	-	2,901
Reclassification/transfer	13	42	(265)
At 11 December 2015	<u>15,193</u>	<u>7,613</u>	<u>68,498</u>
DEPRECIATION			
At 6 December 2014	12,233	6,452	21,219
Charge for period	693	330	1,801
Revaluation adjustments	-	-	(546)
At 11 December 2015	<u>12,926</u>	<u>6,782</u>	<u>22,474</u>
NET BOOK VALUE			
At 11 December 2015	<u>2,267</u>	<u>831</u>	<u>46,024</u>
At 5 December 2014	<u>1,893</u>	<u>911</u>	<u>42,909</u>

Land and buildings were revalued in December 2015 by Cluttons, International Real Estate Consultants, independent valuers and not connected with the Company, on the basis of market value. At 11 December 2015, 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 £6,799,000 (2014: £6,684,000).

The revaluation surplus is disclosed in the statement of changes in equity (page 9).

The Company's obligations under finance leases (see note 19) are secured by the lessor's title to the leased assets, which have a carrying value of £228,024 (2014: £299,000).

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

12. INVENTORIES

	2015	2014
	£'000	£'000
Finished goods	<u>662</u>	<u>633</u>

There is no material difference between the carrying value of inventory and its replacement cost.

13. TRADE AND OTHER RECEIVABLES

	2015	2014
	£'000	£'000
Current:		
Trade debtors	1,593	571
Amounts owed by group undertakings	9,834	8,386
Other debtors	5,118	4,235
VAT	914	944
Prepayments	<u>2,726</u>	<u>2,762</u>
	<u>20,185</u>	<u>16,898</u>

Trade receivables are primarily due from one counterpart; however the Directors do not consider the Company to be significantly exposed to credit risk because the debtor is a government body.

The Directors consider that the carrying amount of trade receivables approximates to their fair value. No provision has been made against trade debtors.

14. CASH AND CASH EQUIVALENTS

	2015	2014
	£'000	£'000
Bank accounts	<u>3,610</u>	<u>3,488</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015	2014
			£'000	£'000
3,576,500	Ordinary	£1	<u>3,576</u>	<u>3,576</u>

LONDON UNITED BUSWAYS LIMITED

**Notes to the Financial Statements - continued
for the period 6 December 2014 to 11 December 2015**

16. RESERVES

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 reserve relate to the cash flow hedging reserve which is disclosed in financial instruments note 20.

17. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Current:		
Trade creditors	1,831	1,555
Amounts owed to group undertakings	366	-
Social security and other taxes	3,535	2,994
Accruals and deferred income	<u>6,415</u>	<u>7,831</u>
	<u>12,147</u>	<u>12,380</u>

18. FINANCIAL LIABILITIES - BORROWINGS

	2015 £'000	2014 £'000
Current:		
Financial instruments (see note 20)	3,473	2,729
Finance leases (see note 19)	<u>71</u>	<u>68</u>
	<u>3,544</u>	<u>2,797</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

18. FINANCIAL LIABILITIES - BORROWINGS - continued

	2015 £'000	2014 £'000
Non-current:		
Financial instruments (see note 20)	1,760	374
Finance leases (see note 19)	<u>170</u>	<u>239</u>
	<u>1,930</u>	<u>613</u>

Terms and debt repayment schedule

06/12/14 to 11/12/15

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Financial instruments	3,473	1,326	434	5,233
Finance leases	<u>71</u>	<u>73</u>	<u>97</u>	<u>241</u>
	<u>3,544</u>	<u>1,399</u>	<u>531</u>	<u>5,474</u>

07/12/13 to 05/12/14

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Financial instruments	2,729	374	-	3,103
Finance leases	<u>68</u>	<u>71</u>	<u>168</u>	<u>307</u>
	<u>2,797</u>	<u>445</u>	<u>168</u>	<u>3,410</u>

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2015 £'000	2014 £'000
Gross obligations repayable:		
Within one year	78	78
Between one and five years	<u>176</u>	<u>254</u>
	<u>254</u>	<u>332</u>
Finance charges repayable:		
Within one year	7	10
Between one and five years	<u>6</u>	<u>15</u>
	<u>13</u>	<u>25</u>
Net obligations repayable:		
Within one year	71	68
Between one and five years	<u>170</u>	<u>239</u>
	<u>241</u>	<u>307</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

19. LEASING AGREEMENTS - continued

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

	Land & buildings	Other	Land & buildings	Other
	2015	2015	2014	2014
	£000	£000	£000	£000
Within one year	906	11,773	910	12,466
In two to five years	1,906	16,041	2,314	20,159
Over five years	513	1,727	871	489
	<u>3,325</u>	<u>29,541</u>	<u>4,095</u>	<u>33,114</u>

The operating lease commitments 'Other' category represents buses.

20. 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 11 December 2015 as set out below:

	2015	2014
	£'000	£'000
Other financial assets	2,061	870
Other financial liabilities	<u>(5,233)</u>	<u>(3,103)</u>
Net other financial assets	<u>(3,172)</u>	<u>(2,233)</u>

The company also enters into hedges on behalf of related companies in the UK, the liability above reflects the gross fuel derivative liability and the asset the amounts recoverable from these companies reflecting their share of the liability.

The notional amount of fuel covered by derivatives financial instruments as at 11 December 2015 was 32 million litres (2014: 44.7 million litres) for the 2016, 2017 and 2018 periods.

There were no embedded derivatives as at 11 December 2015 (2014: nil) which IAS 39 requires to be separately accounted for.

Cash flow hedges

The fuel derivatives hedge the underlying commodity price risk (denominated in \$US). The fuel derivatives include fixed price swaps and collars. The collars are hedges against the price of fuel being above a certain capped level or below a certain floor level.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

20. FINANCIAL INSTRUMENTS - continued

The fair value of fuel derivatives as at 11 December 2015 was a net liability of £3,172,000 (2014: £2,233,000). The movements in the fair value of fuel derivatives in the year ended 11 December 2015 were as follows:

	2015 £'000	2014 £'000
Fuel derivatives		
Fair values as at 5 December 2014	(2,233)	(16)
Changes in fair value during the period taken to cash flow hedging reserve	(3,595)	(2,816)
Changes in fair value during the period taken directly to income statement	<u>2,656</u>	<u>599</u>
Fair value as at 11 December 2015	<u>(3,172)</u>	<u>(2,233)</u>

The fair value of the fuel derivatives as at 11 December 2015 split by maturity is as follows:

Fair value of Assets		
	2015 £'000	2014 £'000
Within one year	526	761
Between one year and two years	852	109
Between two years and five years	<u>683</u>	<u>-</u>
	<u>2,061</u>	<u>870</u>
Fair value of liabilities		
	2015 £'000	2014 £'000
Within one year	3,473	2,728
Between one year and two years	1,326	374
Between two years and five years	<u>434</u>	<u>-</u>
	<u>5,233</u>	<u>3,103</u>

The movements in the cash flow hedging reserve (all of which related to the above fuel derivatives in the period ended 11 December 2015) were as follows:

Cash flow hedging reserve	£'000
Cash flow hedging reserve as at 6 December 2013	13
Changes in fair value during the period taken to cash flow hedging reserve	2,816
Changes in fair value during the period taken directly to income statement	(599)
Tax effect of cash flow hedges	<u>(444)</u>
Cash flow hedging reserve as at 5 December 2014	1,786
Changes in fair value during the period taken to cash flow hedging reserve	3,595
Changes in fair value during the period taken directly to income statement	(2,656)
Tax effect of cash flow hedges	<u>(124)</u>
Cash flow hedging reserve as at 11 December 2015	<u>2,601</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

20. FINANCIAL INSTRUMENTS - continued

The table below summarises the maturity of the Company's cash flow hedges at the 11 December 2015 based on contracted undiscounted receipts and payments:

2014	<3 months	3-12 months	1-5 years	>5 years	Total
Fuel derivative liability	(917)	(1,812)	(374)	-	(3,103)
Fuel derivative asset	236	525	109	-	870
	<u>(681)</u>	<u>(1,286)</u>	<u>(266)</u>	<u>-</u>	<u>(2,233)</u>
2015					
Fuel derivative liability	(1,281)	(2,192)	(1,760)	-	(5,233)
Fuel derivative asset	526	852	683	-	2,061
	<u>(755)</u>	<u>(1,341)</u>	<u>(1,076)</u>	<u>-</u>	<u>(3,172)</u>

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 16 and the statement of changes in equity.

Categories of financial instruments

	Carrying value 2015 £'000	Carrying value 2014 £'000
Financial assets		
Trade and other receivables	16,545	13,192
Cash and cash equivalents	3,610	3,488
Other financial assets	2,061	870
	<u>22,216</u>	<u>17,550</u>
Financial liabilities		
Trade and other payables	2,197	1,555
Finance leases	241	307
Other financial liabilities	5,233	3,103
	<u>7,671</u>	<u>4,965</u>
	<u>14,545</u>	<u>12,585</u>

Carrying values for both 2014 and 2015 also represent fair values.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

20. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives

The Company's activities expose it to certain financial risks. This price risk relates primarily to fuel prices. The Company is not significantly exposed to foreign exchange risk, credit risk and other cash flow risk. Management reviews financial risks regularly in accordance with Company policies. The Company currently uses a limited number of financial instruments to manage certain risks but does not hold financial instruments for speculative reasons.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables. The Directors consider that the concentration of credit risk with regard to bank balances is minimised by the use of quality financial institutions.

The trade receivables balance primarily represents the amounts owing from Transport for London and other local government transport organisations. These sums are contractually agreed and are received according to the terms of the individual contracts. Therefore there is no credit risk exposure or any significant payment delay beyond contractual terms.

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities at 11 December 2015 based on contracted undiscounted payments.

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
2014					
Trade and other payables	708	10,662	1,010	-	12,380
Finance lease liabilities	-	17	51	239	307
Derivatives used for hedging	-	917	1,812	374	3,103
	<u>708</u>	<u>11,596</u>	<u>3,408</u>	<u>613</u>	<u>16,325</u>
	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
2015					
Trade and other payables	-	2,197	-	-	2,197
Finance lease liabilities	-	18	53	170	241
Derivatives used for hedging	-	1,281	2,192	1,760	5,233
	<u>-</u>	<u>3,496</u>	<u>2,245</u>	<u>1,930</u>	<u>7,671</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

20. FINANCIAL INSTRUMENTS - continued

Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of the fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's derivative financial assets and liabilities are categorised as Level 2 as per the above definition.

The revaluation of the property is categorised as Level 2 as per the above definition.

21. PROVISIONS

	Claims £'000	Holiday Pay £'000	Total £'000
At 6 December 2013	4,036	320	4,356
Charge for the period	3,516	48	3,564
Utilised during the period	(3,609)	-	(3,609)
Reversed during the period	(340)	-	(340)
At 5 December 2014	3,603	368	3,971
Charge for the period	3,180	-	3,180
Utilised during the period	(2,621)	(38)	(2,659)
Reversed during the period	(359)	-	(359)
At 11 December 2015	<u>3,803</u>	<u>330</u>	<u>4,133</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.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

22. DEFERRED TAX

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 6 December 2013	(164)	(2,060)	1,497	3	(29)	(753)
Credit / (charge) to income	(4)	54	(117)	-	1	(66)
Credit / (charge) to equity	-	(3,703)	659	443	-	(2,601)
At 5 December 2014	(168)	(5,709)	2,039	446	(28)	(3,420)
Credit / (charge) to income	39	57	(3)	-	53	146
Credit / (charge) to equity	-	(13)	202	124	-	313
At 11 December 2015	<u>(129)</u>	<u>(5,665)</u>	<u>2,238</u>	<u>570</u>	<u>25</u>	<u>(2,961)</u>

The deferred tax related to cash flow hedging in the above table is shown as a net position of the deferred tax asset £941,000 (2014: £620,000) and the deferred tax liability £371,000 (2014: £174,000) and the temporary differences as a net position of the deferred tax asset £90,000 (2014: £33,000) and the deferred tax liability £65,000 (2014: £61,000).

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

	2015 £000	2014 as restated £000
Deferred tax assets	3,270	2,691
Deferred tax liabilities	<u>(6,231)</u>	<u>(6,111)</u>
	<u>(2,961)</u>	<u>(3,420)</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

23. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit scheme

The Company operates a defined benefit scheme for qualifying employees of the Company. Under the scheme, the employees are entitled to retirement benefits amounting to 1/60th of final pensionable pay for each year of pensionable service on attainment of a retirement age of 65. No other post-retirement benefits are provided. The scheme is a funded scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 1 January 2014 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	
	2015	2014
	£'000	£'000
Present value of funded obligations	(86,073)	(80,457)
Fair value of plan assets	<u>73,641</u>	<u>70,262</u>
	(12,432)	(10,195)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	<u>(12,432)</u>	<u>(10,195)</u>
Net liability	<u>(12,432)</u>	<u>(10,195)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Current service cost	4,796	3,784
Net interest from net defined benefit asset/liability	577	520
Past service cost	<u>-</u>	<u>-</u>
	<u>5,373</u>	<u>4,304</u>
Actual return on plan assets	<u>34</u>	<u>8,690</u>

Of the charge for the period, £4,796,000 (2014: £3,784,000) has been included in operating expenses.

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

23. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Opening defined benefit obligation	80,457	65,876
Current service cost	4,796	3,784
Contributions by scheme participants	91	91
Interest cost	3,167	3,059
Actuarial (gains)/losses	(567)	9,447
Benefits paid	<u>(1,871)</u>	<u>(1,800)</u>
	<u>86,073</u>	<u>80,457</u>

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Opening fair value of scheme assets	70,262	58,392
Contributions by employer	5,392	4,889
Contributions by scheme participants	91	91
Interest income	2,590	2,539
Actuarial (losses)/gains	(2,823)	6,151
Benefits paid	<u>(1,871)</u>	<u>(1,800)</u>
	<u>73,641</u>	<u>70,262</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Return on plan assets	(2,823)	6,151
Effect of experience adjustments	845	(1,622)
Effect of changes in demographic assumptions	847	251
Effect of changes in financial assumptions	<u>(1,125)</u>	<u>(8,076)</u>
	<u>(2,256)</u>	<u>(3,296)</u>

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Equities	31,777	35,971
Debt instruments	28,754	25,251
Other assets	<u>13,110</u>	<u>9,040</u>
	<u>73,641</u>	<u>70,262</u>

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

23. EMPLOYEE BENEFIT OBLIGATIONS --continued

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

	2015	2014
Discount rate	3.70%	3.90%
Future salary increases	2.50%	3.15%
Future pension increases	3.00%	3.05%

The net liability of £12,432,000 as at 11 December 2015 is based on the actuarial assumptions detailed above. The impact on the net liability of a change in the actuarial assumptions would be as follows:

	Net liability £'000
Discount rate reduce by 0.25%	16,962
Discount rate increase by 0.25%	8,191
Inflation rate reduce by 0.25%	9,826
Inflation rate increase by 0.25%	15,077
Salary increase minus 0.25%	11,017
Salary increase plus 0.25%	13,886

The company has increased its cash contributions to reduce the scheme deficit over a period of time. The estimated amount of contributions expected to be paid into the scheme during the next financial year is £5,694,000.

DEFINED CONTRIBUTION SCHEME

The Company also operates defined contribution pension schemes. The charge to the income statement for the schemes in the year was £492,000 (2014: £483,000). Included in other creditors is £87,000 (2014: £129,000) in respect of unpaid contributions.

24. 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.

25. 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 (2014: Nil).

Bank and other guarantees given by the Company amounted to £5,284,000 (2014: £5,284,000).

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.

The Company is included in a group Composite Company Guarantee with its bankers in relation to a group account netting overdraft facility. The liability as at year end was £nil (2014: £nil).

LONDON UNITED BUSWAYS LIMITED

Notes to the Financial Statements - continued for the period 6 December 2014 to 11 December 2015

26. RELATED PARTY DISCLOSURES

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

	Purchases from related party		Sales to related party	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
RATP Dev UK Limited	3,236	2,484	-	-
Bournemouth Transport Limited	-	-	-	31
Bath Bus Company Limited	-	-	59	47
London Sovereign Limited	-	-	325	-
	<u>3,236</u>	<u>2,484</u>	<u>384</u>	<u>78</u>

	Amounts owed to related party		Amounts owed by related party	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
RATP Dev UK Limited	-	-	9,828	8,386
Bournemouth Transport Limited	44	-	-	-
Bath Bus Company Limited	3	-	-	-
Metrolink RATP Dev Limited	252	-	-	-
HR Richmond Limited	32	-	-	-
Selwyns Travel Limited	22	-	-	-
The Original London Sightseeing Tour Limited	-	-	6	-
London Sovereign Limited	13	-	-	-
	<u>366</u>	<u>-</u>	<u>9,834</u>	<u>8,386</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. These include management charges from the parent undertaking and charges for shared services as well as management charges to fellow subsidiaries.

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.

The remuneration of directors, who are considered key management personnel, is disclosed in note 3.