

REGISTERED NUMBER: 02328561 (England and Wales)

**LONDON UNITED BUSWAYS LIMITED**

**Strategic Report, Report of the Directors and  
Financial Statements for the Period 10 December 2016 to 8 December 2017**

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# **LONDON UNITED BUSWAYS LIMITED**

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**LONDON UNITED BUSWAYS LIMITED**

**Company Information  
for the Period 10 December 2016 to 8 December 2017**

**DIRECTORS:**

M R Bulmer  
R Ferriere  
K R Fuller  
H C Goodbourn  
T D W Jackson  
J Kean  
P Richardson  
F Rodet  
R D Shillingford  
F J Taylor

**REGISTERED OFFICE:**

Busways House  
Wellington Road  
Twickenham  
Middlesex  
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 10 December 2016 to 8 December 2017**

The directors present their strategic report for the period 10 December 2016 to 8 December 2017.

#### **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 8, the company's turnover has decreased by 0.4% from £167,750,000 in 2016 to £167,003,000 in 2017. The company's profit for the period has increased by 14.5% from £5,126,000 in 2016 to £5,870,000 in 2017 this was largely due to a one off benefit from the closure of the defined benefits pension scheme of £4.1m after taking into account scheme closure costs.

The statement of financial position on page 10 of the financial statements shows the net assets have increased by £7,625,000 during the year. The increase is largely generated from an actuarial surplus on the pension scheme and a 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.

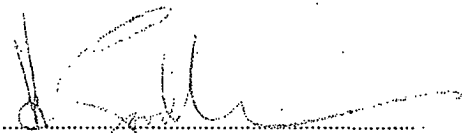
The specific principal risks facing the company include increasing labour and fuel costs as well as competitive pressures.

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 uninsured losses from road traffic accidents. 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: 13.7.18

## **LONDON UNITED BUSWAYS LIMITED**

### **Report of the Directors for the period 10 December 2016 to 8 December 2017**

The directors present their report with the financial statements of the company for the period 10 December 2016 to 8 December 2017.

#### **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 and the principal risks and uncertainties.

#### **DIVIDENDS**

A dividend of £4,500,000 (2016: £4,200,000) was paid during the period. The directors approved a final dividend of £1.26 per share (2016: £1.17). The total distribution of dividends for the period ended 8 December 2017 was £4,500,000 (2016: £4,200,000).

#### **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 10 December 2016 to the date of this report.

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

Other changes in directors holding office are as follows:

C Vacheron – resigned 24 May 2017  
R Ferriere - appointed 24 May 2017  
J Kean - appointed 25 September 2017

#### **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.

## **LONDON UNITED BUSWAYS LIMITED**

### **Report of the Directors for the period 10 December 2016 to 8 December 2017**

#### **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 a 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 Strategic Report, 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;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

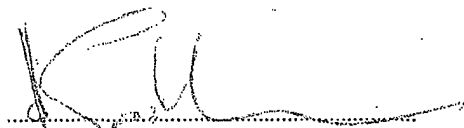
#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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 are aware of that information.

#### **AUDITOR**

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

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



H C Goodburn - Director

Date: 13.7.18

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

**Opinion**

We have audited the financial statements of London United Busways Limited (the 'company') for the year ended 8 December 2017 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash flows, Notes to the Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 8 December 2017 and of its profit for the year 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Report of the Directors, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Jonathan Seaman (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

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

Date: 13 July 2018

**LONDON UNITED BUSWAYS LIMITED**

**Income Statement  
for the period 10 December 2016 to 8 December 2017**

	Notes	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue		167,003	167,750
Administrative expenses		<u>(159,301)</u>	<u>(161,449)</u>
<b>OPERATING PROFIT</b>		7,702	6,301
Finance costs	4	(538)	(406)
Finance income	4	<u>368</u>	<u>407</u>
<b>PROFIT BEFORE INCOME TAX</b>	5	7,532	6,302
Income tax	7	<u>(1,662)</u>	<u>(1,176)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><u>5,870</u></u>	<u><u>5,126</u></u>

The notes on pages 12 to 39 form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED**

**Statement of Comprehensive Income  
for the period 10 December 2016 to 8 December 2017**

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
<b>PROFIT FOR THE PERIOD</b>	5,870	5,126
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains / (losses) on retirement benefit	7,092	(2,411)
Income tax relating to items of other comprehensive income	(1,206)	286
Tax on revaluation of land and buildings	(6)	152
Revaluation of land and buildings	<u>836</u>	<u>416</u>
	6,716	(1,557)
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Net fair value gains on cash flow hedges	(557)	3,961
Income tax relating to item of other comprehensive income	<u>96</u>	<u>(706)</u>
	(461)	3,255
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<u>6,255</u>	<u>1,698</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>12,125</u>	<u>6,824</u>

The notes on pages 12 to 39 form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED (REGISTERED NUMBER: 02328561)**

**Statement of Financial Position  
8 December 2017**

	Notes	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>			
Goodwill	9	1,500	1,500
Intangible assets	10	590	577
Property, plant and equipment	11	50,400	48,469
Financial assets	20	25	719
Deferred tax	22	567	2,597
		<u>53,082</u>	<u>53,862</u>
<b>CURRENT ASSETS</b>			
Inventories	12	848	665
Trade and other receivables	13	21,077	19,517
Financial assets	20	447	528
Cash and cash equivalents	14	-	2,870
		<u>22,372</u>	<u>23,580</u>
<b>TOTAL ASSETS</b>		<u>75,454</u>	<u>77,442</u>
<b>SHAREHOLDERS' FUNDS</b>			
Called up share capital	15	3,576	3,576
Share premium	16	3,576	3,576
Revaluation reserve	16	30,635	29,805
Other reserves	16	193	654
Retained earnings	16	9,645	2,389
<b>TOTAL EQUITY</b>		<u>47,625</u>	<u>40,000</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	18	97	360
Pension liability	23	2,724	14,398
Deferred tax	22	6,031	5,959
		<u>8,852</u>	<u>20,717</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	14,014	13,500
Financial liabilities	18	2,469	265
Tax payable		653	358
Provisions	21	1,841	2,602
		<u>18,977</u>	<u>16,725</u>
<b>TOTAL LIABILITIES</b>		<u>27,829</u>	<u>37,442</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>75,454</u>	<u>77,442</u>

The financial statements were approved by the Board of Directors on 22 June 2018 and were signed on its behalf by:



H C Goodbourn - Director

The notes on pages 12 to 39 form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED**

**Statement of Changes in Equity  
for the period 10 December 2016 to 8 December 2017**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Share premium £'000</b>
<b>Balance at 12 December 2015</b>	3,576	3,588	3,576
<b>Changes in equity</b>			
Comprehensive income			
Profit for the year	-	5,126	-
Revaluation reserve transfer	-	-	-
Deferred tax on revaluation reserve	-	-	-
Revaluation of land and buildings	-	-	-
Actuarial (losses) on retirement benefit plans	-	(2,411)	-
Deferred tax on retirement benefit plans	-	286	-
Net fair value loss on cash flow hedge	-	-	-
Deferred tax on fair value of cash flow hedges	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	3,001	-
Dividends	-	(4,200)	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 9 December 2016</b>	<u>3,576</u>	<u>2,389</u>	<u>3,576</u>
<b>Changes in equity</b>			
Comprehensive income			
Profit for the year	-	5,870	-
Revaluation reserve transfer	-	-	-
Deferred tax on revaluation reserve	-	-	-
Revaluation of land and buildings	-	-	-
Actuarial (losses) on retirement benefit plans	-	7,092	-
Deferred tax on retirement benefit plans	-	(1,206)	-
Net fair value loss on cash flow hedge	-	-	-
Deferred tax on fair value of cash flow hedges	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	11,756	-
Dividends	-	(4,500)	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 8 December 2017</b>	<u><u>3,576</u></u>	<u><u>9,645</u></u>	<u><u>3,576</u></u>

The notes on pages 12 to 39 form part of these financial statements

# LONDON UNITED BUSWAYS LIMITED

## Statement of Changes in Equity for the period 10 December 2016 to 8 December 2017

	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
<b>Balance at 12 December 2015</b>	29,237	(2,601)	37,376
<b>Changes in equity</b>			
Comprehensive income			
Profit for the year	-	-	5,126
Revaluation reserve transfer	152	-	152
Deferred tax on revaluation reserve	-	-	-
Revaluation of land and buildings	416	-	416
Actuarial (losses) on retirement benefit plans	-	-	(2,411)
Deferred tax on retirement benefit plans	-	-	286
Net fair value gain on cash flow hedge	-	3,961	3,961
Deferred tax on fair value of cash flow hedges	-	(706)	(706)
<b>Total comprehensive income</b>	<b>568</b>	<b>3,255</b>	<b>6,824</b>
Dividends	-	-	(4,200)
<b>Balance at 9 December 2016</b>	<b>29,805</b>	<b>654</b>	<b>40,000</b>
<b>Changes in equity</b>			
Comprehensive income			
Profit for the year	-	-	5,870
Revaluation reserve transfer	-	-	-
Deferred tax on revaluation reserve	(6)	-	(6)
Revaluation of land and buildings	836	-	836
Actuarial (losses) on retirement benefit plans	-	-	7,092
Deferred tax on retirement benefit plans	-	-	(1,206)
Net fair value loss on cash flow hedge	-	(557)	(557)
Deferred tax on fair value of cash flow hedges	-	96	96
<b>Total comprehensive income</b>	<b>830</b>	<b>(461)</b>	<b>12,125</b>
Dividends	-	-	(4,500)
<b>Balance at 8 December 2017</b>	<b>30,635</b>	<b>193</b>	<b>47,625</b>

The notes on pages 12 to 39 form part of these financial statements

**LONDON UNITED BUSWAYS LIMITED**

**Statement of Cash Flows  
for the period 10 December 2016 to 8 December 2017**

		Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
	Notes		
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,784	7,816
Interest paid		(148)	(35)
Interest element of finance lease payments paid		(6)	(7)
Finance costs paid		-	-
Tax paid		<u>(383)</u>	<u>(1,038)</u>
Net cash from operating activities		<u>2,247</u>	<u>6,736</u>
 <b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(264)	-
Purchase of tangible fixed assets		(2,966)	(3,669)
Sale of tangible fixed assets		86	59
Interest received		<u>368</u>	<u>407</u>
Net cash from investing activities		<u>(2,776)</u>	<u>(3,203)</u>
 <b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(71)	(73)
Equity dividends paid		<u>(4,500)</u>	<u>(4,200)</u>
Net cash from financing activities		<u>(4,571)</u>	<u>(4,273)</u>
 <b>Decrease in cash and cash equivalents</b>		<u>(5,100)</u>	<u>(740)</u>
<b>Cash and cash equivalents at beginning of period</b>	2	<u>2,870</u>	<u>3,610</u>
 <b>Cash and cash equivalents at end of period</b>	2	<u>(2,230)</u>	<u>2,870</u>

The notes on pages 12 to 39 form part of these financial statements

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Statement of Cash Flows for the period 10 December 2016 to 8 December 2017

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

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Profit before income tax	7,532	6,302
Depreciation charges	1,804	1,580
Amortisation charges	251	257
(Profit)/loss on disposal of fixed assets	(19)	1
Finance costs	538	406
Finance income	<u>(368)</u>	<u>(407)</u>
	9,738	8,139
Decrease in provisions	(761)	(1,531)
Difference between pension charge and cash contributions	(4,965)	(810)
Increase in inventories	(183)	(3)
Increase in trade and other receivables	(1,559)	668
Increase in trade and other payables	<u>514</u>	<u>1,353</u>
<b>Cash generated from operations</b>	<u><b>2,784</b></u>	<u><b>7,816</b></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 8 December 2017

	8/12/17 £'000	10/12/16 £'000
Cash and cash equivalents	-	2,870
Bank overdrafts	<u>(2,230)</u>	-
	<u><b>(2,230)</b></u>	<u><b>2,870</b></u>

#### Period ended 9 December 2016

	9/12/16 £'000	12/12/15 £'000
Cash and cash equivalents	<u><b>2,870</b></u>	<u><b>3,610</b></u>



## **LONDON UNITED BUSWAYS LIMITED**

### **Notes to the Financial Statements for the period 10 December 2016 to 8 December 2017**

#### **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 pounds sterling and all values are rounded to the nearest thousand pounds.

#### **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 10 December 2016 to 8 December 2017**

#### **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 10 December 2016 to 8 December 2017**

#### **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 consists 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 10 December 2016 to 8 December 2017**

#### **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 10 December 2016 to 8 December 2017**

#### **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 10 December 2016 to 8 December 2017**

#### **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.

## **LONDON UNITED BUSWAYS LIMITED**

### **Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017**

#### **2. ACCOUNTING POLICIES - continued**

##### **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 Company's financial statements for the year.

<b>Standards, amendments and interpretations adopted in the year</b>	<b>Effective date</b>
Annual Improvements to IFRSs 2012 - 2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2014 - 2016 Cycle	1 January 2017
Amendments to IAS 1, Disclosure Initiative	1 January 2016
Amendments to IAS 16, Property, Plant and Equipment and IAS38 Intangible Assets	1 January 2016

##### **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.

<b>New/revised international financial reporting standards</b>	<b>Effective date</b>
Annual Improvements to IFRSs 2012 - 2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2014 - 2016 Cycle	1 January 2017
Amendments to IAS 1, Disclosure Initiative	1 January 2016
Amendments to IAS 16, Property, Plant and Equipment and IAS38 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
IFRS15, Revenue from Contracts with Customers	1 January 2018
IFRS 9, Financial Instruments	1 January 2018
IFRS 16, Leases	1 January 2019
Annual Impairments to IFRSs 2015-2017 Cycle	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. The company will assess the impact of IFRS15 and plans to adopt the new standard 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.

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 2. ACCOUNTING POLICIES - continued

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:

- 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.

### 3. EMPLOYEES AND DIRECTORS

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Wages and salaries	86,498	84,927
Social security costs	9,252	8,930
Other pension costs	<u>3,150</u>	<u>3,516</u>
	<u>98,900</u>	<u>97,373</u>

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

	Period 10/12/16 to 8/12/17	Period 12/12/15 to 9/12/16
Bus operation	2,321	2,302
Engineering and maintenance	169	155
Management and administration	<u>66</u>	<u>71</u>
	<u>2,556</u>	<u>2,528</u>



**LONDON UNITED BUSWAYS LIMITED**

**Notes to the Financial Statements - continued  
for the period 10 December 2016 to 8 December 2017**

**3. EMPLOYEES AND DIRECTORS - continued**

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Directors' remuneration	729	626
Directors' pension contributions to money purchase schemes	66	59
Directors' pension defined benefits	<u>15</u>	<u>-</u>

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

Money purchase schemes	3	5
Pension defined benefits	<u>1</u>	<u>-</u>

Information regarding the highest paid director is as follows:

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Aggregate remuneration	179	137
Directors pension contributions	<u>-</u>	<u>10</u>

**4. NET FINANCE COSTS**

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Finance income:		
Deposit account interest	2	18
Interest received from group undertakings	<u>366</u>	<u>389</u>
	<u>368</u>	<u>407</u>
Finance costs:		
Other interest payable	148	35
Hire purchase	6	7
Net pension interest payable	<u>384</u>	<u>364</u>
	<u>538</u>	<u>406</u>
Net finance costs	<u>(170)</u>	<u>1</u>

# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017**

### **5. PROFIT BEFORE INCOME TAX**

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

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Cost of inventories recognised as expense	27,343	24,572
Hire of plant and machinery	10,376	13,201
Other operating leases	1,123	969
Depreciation - owned assets	1,804	1,580
(Profit)/loss on disposal of fixed assets	(19)	1
Other amortisation	5	17
Computer software amortisation	<u>246</u>	<u>240</u>

### **6. AUDITORS' REMUNERATION**

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Fees payable to the company's auditors for the audit of the company's financial statements	42	42
Other assurance services	<u>8</u>	<u>8</u>

### **7. INCOME TAX**

#### **Analysis of tax expense**

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Current tax:		
Tax	556	1,086
Prior year adjustment	<u>122</u>	<u>(43)</u>
Total current tax	678	1,043
Deferred tax:		
Current year	<u>984</u>	<u>133</u>
Total tax expense in income statement	<u>1,662</u>	<u>1,176</u>

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 7. INCOME TAX - continued

#### FACTORS AFFECTING THE TAX EXPENSE

The tax assessed for the period is higher than (2016 – lower than) the standard rate of corporation tax in the UK. The difference is explained below:

	Period 10/12/16 to 8/12/17 £'000	Period 12/12/15 to 9/12/16 £'000
Profit on ordinary activities before income tax	<u>7,532</u>	<u>6,302</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.310% (2016 - 20%)	1,454	1,260
Effects of:		
Adjustment in respect of previous periods	119	(43)
Difference between tax rates	82	(52)
Permanent differences	-	7
Effect of provisions movements reflected in deferred tax compared to current tax	-	4
Disallowable expenditure	7	-
	<u>1,662</u>	<u>1,176</u>
Tax expense		

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

##### 9/12/16 to 8/12/17

	Gross £'000	Tax £'000	Net £'000
Net fair value gains on cash flow hedges	(557)	96	(461)
Actuarial losses on retirement benefit	7,092	(1,206)	5,886
Revaluation of land and buildings	<u>836</u>	<u>(6)</u>	<u>830</u>
	<u>7,371</u>	<u>(1,116)</u>	<u>6,255</u>

##### 10/12/15 - 9/12/16

	Gross £'000	Tax £'000	Net £'000
Net fair value gains on cash flow hedges	3,961	(706)	3,255
Actuarial losses on retirement benefit	(2,411)	286	(2,125)
Revaluation of land and buildings	<u>416</u>	<u>152</u>	<u>568</u>
	<u>1,966</u>	<u>(268)</u>	<u>1,698</u>

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. Parliament has enacted a corporation tax rate of 17% 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.

**LONDON UNITED BUSWAYS LIMITED**

**Notes to the Financial Statements - continued  
for the period 10 December 2016 to 8 December 2017**

**8. DIVIDENDS**

	<b>Period 10/12/16 to 8/12/17 £'000</b>	<b>Period 12/12/15 to 9/12/16 £'000</b>
Ordinary shares of £1 each		
Final	<u>4,500</u>	<u>4,200</u>

**9. GOODWILL**

	£'000
<b>COST</b>	
At 10 December 2016 and 8 December 2017	<u>1,500</u>
<b>NET BOOK VALUE</b>	
At 8 December 2017	<u>1,500</u>
At 9 December 2016	<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 assumption would result in an impairment.

**10. INTANGIBLE ASSETS**

	<b>Other £'000</b>	<b>Computer software £'000</b>	<b>Totals £'000</b>
<b>COST</b>			
At 10 December 2016	123	2,585	2,708
Additions	<u>-</u>	<u>264</u>	<u>264</u>
At 8 December 2017	<u>123</u>	<u>2,849</u>	<u>2,972</u>
<b>AMORTISATION</b>			
At 10 December 2016	118	2,013	2,131
Amortisation for period	<u>5</u>	<u>246</u>	<u>251</u>
At 8 December 2017	<u>123</u>	<u>2,259</u>	<u>2,382</u>
<b>NET BOOK VALUE</b>			
At 8 December 2017	<u>-</u>	<u>590</u>	<u>590</u>
At 9 December 2016	<u>5</u>	<u>572</u>	<u>577</u>

**LONDON UNITED BUSWAYS LIMITED**

**Notes to the Financial Statements - continued  
for the period 10 December 2016 to 8 December 2017**

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Freehold land &amp; buildings £'000</b>	<b>Leasehold improvements £'000</b>	<b>Assets under construction £'000</b>
<b>COST OR VALUATION</b>			
At 10 December 2016	42,134	3,210	2,439
Additions	163	-	1,250
Revaluations	526	-	-
Reclassification/transfer	-	-	(130)
* At 8 December 2017	<u>42,823</u>	<u>3,210</u>	<u>3,559</u>
<b>DEPRECIATION</b>			
At 10 December 2016	-	2,933	-
Charge for period	310	120	-
Eliminated on disposal	-	-	-
Revaluation adjustments	(310)	-	-
At 8 December 2017	<u>-</u>	<u>3,053</u>	<u>-</u>
<b>NET BOOK VALUE</b>			
At 8 December 2017	<u>42,823</u>	<u>157</u>	<u>3,559</u>
At 9 December 2016	<u>42,134</u>	<u>277</u>	<u>2,439</u>
	<b>Other assets £'000</b>	<b>Plant and machinery £'000</b>	<b>Totals £'000</b>
<b>COST OR VALUATION</b>			
At 10 December 2016	16,387	8,039	72,209
Additions	1,184	369	2,966
Disposals	(441)	-	(441)
Revaluations	-	-	526
Reclassification/transfer	43	87	-
At 8 December 2017	<u>17,173</u>	<u>8,495</u>	<u>75,260</u>
<b>DEPRECIATION</b>			
At 10 December 2016	13,698	7,109	23,740
Charge for period	1,058	316	1,804
Eliminated on disposal	(374)	-	(374)
Revaluation adjustments	-	-	(310)
At 8 December 2017	<u>14,382</u>	<u>7,425</u>	<u>24,860</u>
<b>NET BOOK VALUE</b>			
At 8 December 2017	<u>2,791</u>	<u>1,070</u>	<u>50,400</u>
At 9 December 2016	<u>2,689</u>	<u>930</u>	<u>48,469</u>

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 11. PROPERTY, PLANT AND EQUIPMENT – continued

Land and buildings were revalued in December 2017 by the directors of the Company in line with market value increases. At 8 December 2017, 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 £6,744,000 (2016: £6,891,000).

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

At 8 December 2017 the carrying amount of other assets leased and hire purchased was £87,692 (2016: £157,451), all of which is pledged as security.

### 12. INVENTORIES

	2017 £'000	2016 £'000
Finished goods	<u>848</u>	<u>665</u>

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

### 13. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Current:		
Trade debtors	818	1,692
Amounts owed by group undertakings	11,201	9,938
Other debtors	4,899	4,299
VAT	1,037	916
Prepayments	<u>3,122</u>	<u>2,672</u>
	<u>21,077</u>	<u>19,517</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

	2017 £'000	2016 £'000
Bank accounts	<u>-</u>	<u>2,870</u>

### 15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2017 £'000	2016 £'000
3,576,500	Ordinary	£1	<u>3,576</u>	<u>3,576</u>

### 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.

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 16. RESERVES - continued

#### 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.

#### Retained earning

Retained earnings are the cumulative net earnings of the company after accounting for dividends.

### 17. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Current:		
Trade creditors	2,947	1,533
Amounts owed to group undertakings	388	639
Social security and other taxes	3,298	3,122
Accruals and deferred income	<u>7,381</u>	<u>8,206</u>
	<u>14,014</u>	<u>13,500</u>

### 18. FINANCIAL LIABILITIES - BORROWINGS

	2017 £'000	2016 £'000
Current:		
Bank overdrafts	2,230	-
Financial instruments (see note 20)	175	192
Finance leases (see note 19)	<u>64</u>	<u>73</u>
	<u>2,469</u>	<u>265</u>
Non-current:		
Financial instruments (see note 20)	64	265
Finance leases (see note 19)	<u>33</u>	<u>95</u>
	<u>97</u>	<u>360</u>

#### Term and debt repayment schedule

##### 10/12/16 to 08/12/17

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Bank overdrafts	2,230	-	-	2,230
Financial instruments	175	44	20	239
Finance leases	<u>64</u>	<u>33</u>	<u>-</u>	<u>97</u>
	<u>2,469</u>	<u>77</u>	<u>20</u>	<u>2,566</u>

##### 12/12/15 to 09/12/16

	1 year or less £'000	1 - 2 years £'000	2-5 years £'000	Totals £'000
Financial instruments	192	233	32	457
Finance leases	<u>73</u>	<u>63</u>	<u>32</u>	<u>168</u>
	<u>265</u>	<u>296</u>	<u>64</u>	<u>625</u>

# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued** **for the period 10 December 2016 to 8 December 2017**

### **19. LEASING AGREEMENTS**

Minimum lease payments under finance leases fall due as follows:

	<b>Finance leases</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Gross obligations repayable:		
Within one year	65	78
Between one and five years	<u>33</u>	<u>98</u>
	<u>98</u>	<u>176</u>
Finance charges repayable:		
Within one year	1	5
Between one and five years	<u>-</u>	<u>3</u>
	<u>1</u>	<u>8</u>
Net obligations repayable:		
Within one year	64	73
Between one and five years	<u>33</u>	<u>95</u>
	<u>97</u>	<u>168</u>

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

	<b>Land &amp; buildings</b>		<b>Land &amp; buildings</b>	
	<b>2017</b>	<b>Other</b>	<b>2016</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	785	11,151	939	11,487
In two to five years	2,856	28,652	2,062	26,720
Over five years	<u>2,755</u>	<u>2,621</u>	<u>691</u>	<u>5,136</u>
	<u>6,396</u>	<u>42,424</u>	<u>3,692</u>	<u>43,343</u>

The operating lease commitments 'Other' category represents buses.



# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 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 20.5 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 8 December 2017 as set out below:

	2017 £'000	2016 £'000
Other financial assets	472	1,247
Other financial liabilities	(239)	(457)
<b>Net other financial assets</b>	<u>233</u>	<u>790</u>

The company also enters into hedges on behalf of related companies in the UK, the liability above reflects the gross fuel derivative 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 8 December 2017 was 20 million litres (2016: 28 million litres) for the 2018, 2019 and 2020 periods.

There were no embedded derivatives as at 8 December 2017 (2016: 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.

The fair value of fuel derivatives as at 8 December 2017 was an asset of £233,000 (2016 asset: £789,000). The movements in the fair value of fuel derivatives in the year ended 8 December 2017 were as follows:

	2017 £'000	2016 £'000
<b>Fuel derivatives</b>		
Fair values as at 9 December 2016	789	(3,172)
Changes in fair value during the period taken to cash flow hedging reserve	(578)	2,387
Changes in fair value during the period taken directly to income statement	<u>22</u>	<u>1,574</u>
<b>Fair value as at 8 December 2017</b>	<u>233</u>	<u>789</u>

**LONDON UNITED BUSWAYS LIMITED**

**Notes to the Financial Statements - continued  
for the period 10 December 2016 to 8 December 2017**

**20. FINANCIAL INSTRUMENTS - continued**

The fair value of the fuel derivatives as at 8 December 2017 split by maturity is as follows:

	<b>Fair value of assets</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	447	528
Between one year and two years	17	632
Between two years and five years	8	87
	<u>472</u>	<u>1,247</u>
	<b>Fair value of liabilities</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	175	192
Between one year and two years	44	233
Between two years and five years	20	32
	<u>239</u>	<u>457</u>

The movements in the cash flow hedging reserve all of which related to the above fuel derivatives in the period ended 8 December 2017 were as follows:

<b>Cash flow hedging reserve</b>	<b>£'000</b>
Cash flow hedging reserve as at 11 December 2015	2,601
Changes in fair value during the period taken to cash flow hedging reserve	(2,387)
Changes in fair value during the period taken directly to income statement	(1,574)
Tax effect of cash flow hedges	<u>706</u>
Cash flow hedging reserve as at 9 December 2016	(654)
Changes in fair value during the period taken to cash flow hedging reserve	578
Changes in fair value during the period taken directly to income statement	(21)
Tax effect of cash flow hedges	<u>(96)</u>
Cash flow hedging reserve as at 8 December 2017	<u>(193)</u>

The table below summarises the maturity of the Company's cash flow hedges at the 8 December 2017 based on contracted undiscounted receipts and payments:

	<b>&lt;3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b>2016</b>					
Fuel derivative liability	(28)	(164)	(265)	-	(457)
Fuel derivative asset	<u>82</u>	<u>446</u>	<u>719</u>	<u>-</u>	<u>1,247</u>
	<u>54</u>	<u>282</u>	<u>454</u>	<u>-</u>	<u>790</u>
<b>2017</b>					
Fuel derivative liability	(61)	(114)	(64)	-	(239)
Fuel derivative asset	<u>154</u>	<u>293</u>	<u>25</u>	<u>-</u>	<u>472</u>
	<u>93</u>	<u>179</u>	<u>(39)</u>	<u>-</u>	<u>233</u>

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 20. FINANCIAL INSTRUMENTS - continued

#### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 18, 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 2017 £'000	Carrying value 2016 £'000
<b>Financial assets</b>		
Trade and other receivables	21,076	15,929
Cash and cash equivalents	-	2,870
Other financial assets	472	1,247
	<u>21,548</u>	<u>20,046</u>
<b>Financial liabilities</b>		
Trade and other payables	3,335	2,172
Finance leases	96	168
Other financial liabilities	239	457
	<u>3,670</u>	<u>2,797</u>
	<u>17,878</u>	<u>17,249</u>

Carrying values for both 2016 and 2017 also represent fair values.

#### 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, cash and trade and other receivables. The Directors consider that the concentration of credit risk with regard to bank balances is minimised by the use of quality financial institutions.

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

# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued** **for the period 10 December 2016 to 8 December 2017**

### **20. FINANCIAL INSTRUMENTS - continued**

#### **Liquidity risk**

The table below summarises the maturity profile of the Company's financial liabilities at 8 December 2017 based on contracted undiscounted payments.

	<b>On demand £'000</b>	<b>&lt;3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Total £'000</b>
<b>2016</b>					
Trade and other payables	-	2,172	-	-	2,172
Finance lease liabilities	-	18	55	95	168
Derivatives used for hedging	-	28	164	265	457
	-	<u>2,218</u>	<u>219</u>	<u>360</u>	<u>2,797</u>
	<b>On demand £'000</b>	<b>&lt;3 months £'000</b>	<b>3-12 months £'000</b>	<b>1-5 years £'000</b>	<b>Total £'000</b>
<b>2017</b>					
Trade and other payables	-	3,335	-	-	3,335
Finance lease liabilities	-	15	49	33	97
Derivatives used for hedging	-	61	114	64	239
	-	<u>3,411</u>	<u>163</u>	<u>97</u>	<u>3,671</u>

#### **Fair value estimation**

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

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

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

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

# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued** **for the period 10 December 2016 to 8 December 2017**

### **21. PROVISIONS**

	<b>Claims £'000</b>	<b>Holiday Pay £'000</b>	<b>Total £'000</b>
At 5 December 2015	3,803	330	4,133
Charge for the period	2,370	-	2,370
Utilised during the period	(3,402)	-	(3,402)
Reversed during the period	<u>(481)</u>	<u>(18)</u>	<u>(499)</u>
At 9 December 2016	2,290	312	2,602
Charge for the period	2,432	-	2,432
Utilised during the period	(2,899)	-	(2,899)
Reversed during the period	<u>(294)</u>	<u>-</u>	<u>(294)</u>
At 8 December 2017	<u>1,529</u>	<u>312</u>	<u>1,841</u>

#### **Claims**

Provision is made for claims against the company to the extent that they are not covered by insurance policies. Claims are expected to be settled within one year except where there is extended litigation.

#### **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.

### **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.

	<b>Accelerated tax depreciation £'000</b>	<b>Revaluation of building £'000</b>	<b>Retirement benefit obligations £'000</b>	<b>Cash flow hedging obligation £'000</b>	<b>Temporary differences £'000</b>	<b>Total £'000</b>
At 11 December 2015	(129)	(5,665)	2,238	570	25	(2,961)
(Charge) / (credit) to income	(105)	75	(77)	-	(26)	(133)
Credit / (charge) to equity	<u>-</u>	<u>152</u>	<u>286</u>	<u>(706)</u>	<u>-</u>	<u>(268)</u>
At 9 December 2016	(234)	(5,438)	2,447	(136)	(1)	(3,362)
Charge to income	(202)	-	(779)	-	(3)	(984)
(Charge) / (credit) to equity	<u>(2)</u>	<u>(6)</u>	<u>(1,206)</u>	<u>96</u>	<u>-</u>	<u>(1,118)</u>
At 8 December 2017	<u>(438)</u>	<u>(5,444)</u>	<u>462</u>	<u>(40)</u>	<u>(4)</u>	<u>(5,464)</u>

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 22. DEFERRED TAX - continued

The deferred tax related to cash flow hedging in the above table is shown as a net position of the deferred tax asset £26,000 (2016: £78,000) and the deferred tax liability £67,000 (2016: £214,000) and the temporary differences as a net position of the deferred tax asset £75,000 (2016: £71,000) and the deferred tax liability £78,000 (2016: £72,000).

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

	2017 £'000	2016 £'000
Deferred tax assets	567	2,597
Deferred tax liabilities	(6,031)	(5,959)
	<u>(5,464)</u>	<u>(3,362)</u>

### 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 scheme was closed to future accrual with effect from 30 June 2017. From this date the members of the plan are not entitled to accrue for future defined benefits and are auto-enrolled back to the defined contribution schemes. From projections dated 14 July 2017 and performed by an external actuarial expert, a negative past service cost of circa £4.6m will be recognised as a one-off credit in the Income Statement for the year ended 8 December 2017, according to IAS19 paragraphs 102 to 106.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 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:

	<b>Defined benefit pension plans</b>	
	2017 £'000	2016 £'000
Present value of funded obligations	(107,023)	(108,859)
Fair value of plan assets	104,299	94,461
	(2,724)	(14,398)
Present value of unfunded obligations	-	-
Deficit	<u>(2,724)</u>	<u>(14,398)</u>
Net liability	<u>(2,724)</u>	<u>(14,398)</u>

# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued** **for the period 10 December 2016 to 8 December 2017**

### **23. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in profit or loss are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	3,025	4,563
Net interest from net defined benefit asset/liability	805	593
Past service cost	<u>-</u>	<u>-</u>
	<u>3,830</u>	<u>5,156</u>
Actual return on plan assets	<u>8,819</u>	<u>18,086</u>

Of the charge for the period, £3,025,000 (2016: £4,563,000) has been included in operating expenses.

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

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	108,859	86,074
Current service cost	3,025	4,563
Contributions by scheme participants	(4,612)	71
Interest cost	3,227	3,139
Actuarial (gains)/losses	(693)	17,722
Benefits paid	<u>(2,783)</u>	<u>(2,710)</u>
	<u>107,023</u>	<u>108,859</u>

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

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	94,461	73,641
Contributions by employer	3,773	5,602
Contributions by scheme participants	29	71
Interest income	2,422	2,546
Actuarial gains	6,397	15,311
Benefits paid	<u>(2,783)</u>	<u>(2,710)</u>
	<u>104,299</u>	<u>94,461</u>

The amounts recognised in other comprehensive income are as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Return on plan assets	6,397	15,311
Effect of experience adjustments	6,115	674
Effect of changes in demographic assumptions	124	-
Effect of changes in financial assumptions	<u>(5,544)</u>	<u>(18,396)</u>
	<u>7,092</u>	<u>(2,411)</u>

# LONDON UNITED BUSWAYS LIMITED

## Notes to the Financial Statements - continued for the period 10 December 2016 to 8 December 2017

### 23. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Equities	31,268	38,582
Debt instruments	49,650	39,518
Other assets	23,381	16,361
	<u>104,299</u>	<u>94,461</u>

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

	2017	2016
Discount rate	2.65%	3.00%
Future salary increases	3.50%	2.50%
Future pension increases	3.00%	3.20%

The net liability of £2,724,000 as at 8 December 2017 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 £
Discount rate reduce by 0.25%	112,478
Discount rate increase by 0.25%	101,932
Inflation rate reduce by 0.25%	102,193
Inflation rate increase by 0.25%	112,164

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 £1,200,000. This represents a reduction in contributions due to the closure of the scheme to future accrual, effective from 30 June 2017.

### DEFINED CONTRIBUTION SCHEME

The Company also operates defined contribution pension schemes. The charge to the income statement for the schemes in the year was £1,182,000 (2016: £368,000). Included in other creditors is £342,000 (2016: £142,000) 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.



# **LONDON UNITED BUSWAYS LIMITED**

## **Notes to the Financial Statements - continued** **for the period 10 December 2016 to 8 December 2017**

### **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 (2016: nil).

Bank and other guarantees given by the Company amounted to £nil (2016: £nil). The Company is however 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 (2016: £nil). Guarantees have been issued by the parent company this year and this information is therefore disclosed at parent company level.

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.

### **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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
RATP Dev UK Limited	3,120	3,297	-	-
Bath Bus Company Limited	-	-	3	67
Quality Line Limited	125	-	25	-
London Sovereign Limited	-	-	562	325
	<u>3,245</u>	<u>3,297</u>	<u>590</u>	<u>392</u>
	Amounts owed to related party		Amounts owed by related party	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
RATP Dev UK Limited	109	-	10,717	9,834
RATP Dev SA	-	-	2	4
Bournemouth Transport Limited	-	-	13	3
Bath Bus Company Limited	-	-	59	4
Metrolink RATP Dev Limited	-	639	15	-
Quality Line Limited	-	-	112	3
Selwyns Travel Limited	-	-	29	-
The Original London Sightseeing Tour Limited	240	-	-	2
London Sovereign Limited	39	-	254	88
	<u>388</u>	<u>639</u>	<u>11,201</u>	<u>9,938</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 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.