

LONDON UNITED BUSWAYS LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2022



REGISTERED NUMBER: 02328561 (England and Wales)

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
CONTENTS**

	Pages
Company information	1
Strategic report	2-8
Directors' report	9-12
Independent auditor's report	13-15
Financial statements	
Income statement	16
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21-47

**LONDON UNITED BUSWAYS LIMITED
COMPANY INFORMATION**

Directors

M T Sinaceur
F Guthrie
C M Tong
W J Cahill
F C F Tonetti
J J Cohen
M A Fellahi
J H R Foldes
N J Wood

Secretary

G Fabre

Registered office

Garrick House
Stamford Brook Bus Garage
74 Chiswick High Road
London
W4 1SY

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT**

The Directors present their strategic report for the year ended 31 December 2022.

REVIEW OF BUSINESS

The primary activities of the Company are the provision of road passenger transport services in the Greater London area and the Company's principal customer is Transport for London (TfL).

2022 was a challenging year for the Company, with the pressure of global inflation impacting significantly on the cost base. As the UK recovers from the impact of the Covid-19 pandemic, the Company has also experienced impacts from increasing traffic and continuing staff shortages. The London market remains highly competitive, and margins continue to erode as competition among operators increases within a contracting market. Operating activities are constantly reviewed to ensure they are both in line with government and TfL guidelines and are operating efficiently.

During the year, the Company completed the first stage of electrification at its Fulwell and Shepherds Bush garages and work commenced on electrification at its Hounslow Heath garage. The Company is now running fully electric routes and is bidding for new routes on an electric basis where possible. Across all the operating companies in the UK group (the group headed by RATP Dev Transit London Limited), 6 garages have electric charging infrastructure. TfL have accelerated their ambition for a 100% zero-emission bus fleet in London to 2030 and we continue to work closely with them in support of their strategic objective.

The Board measures, manages and monitors business performance across a number of financial and non-financial metrics and KPIs.

KPI / Metric	Commentary	2022			2021		
		Units					
Turnover	All revenue generated in the year from commercial operations	£(m)	179.9		174.5		
Operating Loss	Operating loss before lease financing, interest and tax	£(m)	(24.8)		(5.2)		
Number of employees	Average number of staff across the year to deliver core operations	Number	2,464		2,471		
Mileage Delivered	The level of mileage delivered, excluding that lost due to traffic congestion Used to monitor high frequency bus routes (typically one	Miles	39.3m		34.6m		
Excess Waiting Time	bus every 12 minutes), which is the TfL required contractual frequency	Minutes	1.49		1.06		
On Time Demand	Measure to monitor low frequency bus routes in accordance with the TfL contractual timetable	Percent	81.0		84.6		

Turnover has increased from £174.5m in 2021 to £179.9m in 2022 due to route wins and contractual price increases.

The increased operating loss of £(24.8)m in 2022 from £(5.2)m in 2021 can be attributed to a number of factors: a significant increase in staff costs from agreed pay deals, a high level of driver shortages, that resulted in higher mileage penalties, higher depreciation charges reflective of an increase in fixed assets following the electric route wins and the related garage electrification and a year of exceptionally high insurance claim costs.

Mileage delivered in 2022 has increased from 2021 due to the mix of route wins and losses during the year and reduced industrial action in 2022.

Staff numbers have fallen across the year despite new route wins, reflecting a high level of driver shortages in the market currently. The average number of employees noted above relates to the core operations of the company and does not include all employees as noted in Note 4.

An increase in Excess Waiting Time (EWT) and a decline in On Time Demand (OTD) KPI in 2022 reflects weaker operating performance compared to 2021. This has been impacted by an increase in traffic volumes as lockdown restrictions eased.

Excess Wait Time (EWT) is a KPI for high frequency routes and is defined as the extra time that passengers have had to wait above the scheduled waiting period. The ultimate objective is to minimise EWT. The On Time Departures measure for lower frequency routes, is a window from 2½ minutes earlier than scheduled to five minutes later than scheduled. The ultimate objective is to maximise "On Time" departures.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

REVIEW OF BUSINESS (CONTINUED)

Operating loss for the year includes the cost of labour, which represents over 50% of the Company's cost base. This cost is closely managed, and the management of recruitment, training, personal development and remuneration is key to ensure the Company remains competitive and retains and recruits the right staff. Recruitment of drivers has been a key focus for the Company in 2022 as staff shortages has remained an issue throughout the year.

Our training centre based in Fulwell is where all recruits are prepared to become London bus drivers. They are paired with an experienced driving instructor who teaches the new recruits all the skills required to navigate a bus safely through London. The new driver also receives thorough training in providing a quality service to the customer. Drivers are periodically brought back into the training centre for ongoing career development. All our new employees, regardless of role, attend an induction programme at the training centre, where they are welcomed to the Company by directors and senior managers.

The cost of fuel is also a significant part of the Company's costs and the volatility in price, which is heavily influenced by external factors, is partially offset by TfL contract indexation and by fuel hedging contracts. This together with actions to improve fuel consumption through engineering maintenance and embracing the latest bus technology through the Company's bus procurement policy helps to ensure fuel costs are appropriately controlled. Details of fuel hedging contracts can be found in note 11 to the financial statements.

As the Company continues to electrify its fleet, electricity costs have increased significantly in the year and are expected to increase each year going forward. The Company has entered into forward purchases in order to reduce exposure to volatile electricity costs.

The Company has an income tax credit for the year totaling £nil (2021: £50,000 credit), which is detailed within note 8 of the financial statements.

Cash generated from operations in 2022 was £9,340,000 (2021: £16,370,000) a decrease of £7,030,000 due to a reduction in working capital, primarily resulting from additional costs to the business as well as the timing of receivables and payables. The company has continued to invest in the purchase of tangible fixed assets, with large amounts invested in 2021 for the electrification work at the garages. These purchases continued in 2022 with further investment in garage electrification, bus major units and refurbishments and improvements to the garage infrastructure.

The statement of financial position on page 18 of the financial statements shows that net assets decreased by £23,359,000 during the year to £20,346,000 as at 31 December 2022, primarily reflecting the loss after tax of £27,865,000.

In accordance with RATP Group (the group headed by Régie Autonome des Transports Parisiens) procedures and in compliance with local regulations, we continually consider our principal environmental, social and human rights and anti-corruption risks and opportunities. The Company recognises that mobility is an essential lever to tackle the societal and environmental challenges of today and tomorrow and as a privileged partner to TfL, we are committed to fostering a more inclusive, ecological friendly city. We work closely with TfL, supporting their ambition to ensure all buses in London are zero emission in the future. As of 2023, the Group operates 28% of its fleet with electric vehicles and a further 34% with hybrid vehicles.

Our efforts through the electrification of our bus fleet in London have already reduced our fleet CO2 emissions and fuel consumption. This is a perfect example of how cleaner vehicles and more efficient, healthier and greener solutions can contribute to fight climate change - and also make the city a more pleasant place to live.

The Company's multi-year transformation program continues to drive improvements in operating practices across the business, with investments into service quality and a new management team driving initiatives such as the model garage and electrification.

Overall, despite a challenging year of external market factors that weighed heavily on the Company's financial and operating performance we are confident in the future and long-term outlook for the business.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

PRINCIPAL RISKS AND UNCERTAINTIES

To support the strategic objectives and obligations of the business the directors have established a holistic approach 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.

Financial and Operational Risks

By far the largest element of the Company's operating costs relates to the cost of labour. Maintaining sufficient drivers and other staff to deliver on TfL contracts and ensuring all staff are sufficiently trained is a key focus and risk. The Company is also exposed to the impact of global inflation through staff pay awards, in light of the ongoing cost of living crisis. The Directors value a good working relationship with staff unions, in particular in building a full understanding of financial performance and the requirement to remain competitive in the market. The human resources director (HRD) oversees the strategy for retaining and recruiting the right staff, including recruitment planning, HR strategy development, employee search, screening, evaluation and control.

The Company is also exposed to insurance premium costs and insurance claims. Details of provision against claims can be found in note 19 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 and claims handlers to ensure appropriate provisions are made. The Directors regularly review the insurance cover needed by the Company.

The vast majority of our contracts are with Transport for London (TfL), the nature of which leaves the revenue risk with the customer and not the operator. However, TfL is under pressure to produce efficiency savings, which could impact on potential revenues when contracts are bid for and renewed. We continue to manage this risk by working closely with our customer and enhancing our operating procedures accordingly.

The rising rate of inflation through 2022 and into 2023 will likely impact on both contract price adjustments and on the underlying costs of the business, with a risk that the price adjustments do not match cost increases. The Company manages this risk through procurement contract reviews and cost management programmes.

Exposure to price and liquidity risks

The Company continues to closely monitor the impact of the Ukrainian-Russian war on its supply chain. The conflict has driven inflationary impacts on diesel and electricity supplies which have increased the Company's cost base. While some of this exposure to fuel price fluctuation is indexed in the bus contracts with TfL, the Company also mitigates a portion of the risk through forward hedging contracts and forward purchases. Details of fuel hedging contracts can be found in note 11 to the financial statements.

Liquidity risk refers to the risk that an entity may encounter difficulty in meeting its obligations associated with its financial liabilities. In particular, the Company has a large intercompany loan balance with exposure to the interest rate rises in late 2022 and into 2023 which have increased the cost of this borrowing. The Company manages the liquidity risks by maintaining adequate cash reserves and having access to readily available external and internal borrowing facilities. The Company also maintains a continuous monitoring of its actual and forecast cash flow requirements as well the maturity and repayments of loan facilities.

CORPORATE GOVERNANCE STATEMENT

In addition to the Corporate Governance guidelines set out by RATP Group, the Company voluntarily complies with the Wates Corporate Governance Principles for large private companies as detailed below.

In 2022 the Board have continued to focus on the priorities set out last year on safeguarding the health and wellbeing of our colleagues, passengers and broader stakeholder groups across the wider community, while protecting our business has remained at the top of the Board's agenda.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

1. Purpose and leadership - The Company's purpose and vision is to become Transport for London's trusted bus operator of choice. The Directors are responsible for creating a Company strategy in line with this purpose and the Company's six core commitments: Safety, Sustainable Mobility, Mobility for all, Socially Responsible, United for Excellence & Innovative Mobility. The Directors are committed to embedding the desired culture throughout the organisation through active training and tailored onboarding.

The effectiveness of Company purpose is measured through a number of indicators including customer satisfaction surveys, engagement with unions and key performance indicators. The Board continually oversees and monitors the organisation culture in a number of ways to ensure it is aligned to the Company's purpose, values and strategy. The Company Directors and Executive management meet regularly including monthly and quarterly Executive and Board meetings that encompasses a review of the Company's strategy, its financial and operational performance, including health and safety, employee and stakeholder matters.

Our core values and safety culture have been key to safeguarding the health and wellbeing of our people and broader business stakeholders. A structured and defined Health and Safety program of measures operates across all garages functions and operations that are cascaded through the Company with top-down director oversight, through the Safety Board, that meets regularly, comprised of directors and Executive management, chaired by the Managing Director

Our operating model enables garage and functional site-based senior leadership to provide valuable insight into how our purpose and values are brought to life across our business operations while being supported with director-led involvement and support 'on the ground' on a daily basis.

Daily interaction between our directors and colleagues across all the garages and support functions, enables us to experience personally the working practices and culture that are present at the heart of our business.

2. Board composition - The Company board is chaired by the Managing Director and is formed of the local executive management team as well as the CFO and Vice President of RATP Dev SA, being an appropriate mix of local market expertise and parent company oversight. Appointments to the board are made to ensure an appropriate combination of skills, backgrounds and experience to achieve effective decision-making.

The Board applies the RATP Group Code of Ethics (www.ratpdev.com) and those value and principles are at the foundation of our Company policy. They guide the actions of the Company on a daily basis and act as a framework for all employees. Four guiding principles within the Code of Ethics provide us with a framework for achieving our strategic plans: Respect for People, Customer Service, Legal Compliance and Consideration of Stakeholders. The Company through its values and these guiding principles, pays particular attention to all its employees and the people who work for it. Diversity, equal opportunity, openness and solidarity are fundamental guiding principles for the Company.

Board evaluation is an ongoing process and individual director effectiveness is assessed by annual reviews.

3. Director responsibilities - The Directors maintain policies and practices to promote effective corporate governance. Directors are required to disclose any actual/potential conflicts of interest to ensure objective decision making. The board base their decisions on monthly information from all key aspects of the business including health and safety, operational and engineering performance, people and engagement, contract tendering and financial performance.

Directors acknowledge their duties to promote the success of the Company as set out below in the Section 172 (1) Statement.

4. Opportunity and risk - The Company operates tendered public transport contracts which are evaluated on a route-by-route basis to ensure commercial value. Long-term strategic opportunities are highlighted to the Board by the Company's commercial team and assessed individually by the Board.

A summary of the Company's principal risks and mitigations are outlined in the Strategic Report.

5. Remuneration - Members of the UK executive team are remunerated by the Company in line with the broader employment market and aligned with performance, behaviours, and the achievement of Company purpose, values and strategy.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

6. Stakeholder relationships and engagement - The Directors seek to foster effective stakeholder relationships in line with the Company's purpose and values.

Further detail regarding stakeholder engagement is set out below in the Section 172 (1) Statement.

SECTION 172(1) STATEMENT

The Directors of the Company recognise their duty when making decisions, to act in the way they consider in good faith, which would be most likely to promote the success of the Company for the benefit of its members as a whole whilst having due regard to the matters set out in Section 172(1)(a-f) of the Companies Act 2006:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company in maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In providing a leading passenger transport service, the Company works closely with a range of stakeholders, beyond our employee base, including TfL, Unions and suppliers without whom the operating business would not succeed. Meetings with stakeholders are held regularly at all levels of the Company's organisation and decisions are taken with reference to their input and impact on the business operations and its sustainability. During the year, the Company electrified a number of garages to support its delivery of electric bus services that are contributing to TfL's cleaner air agenda and long-term climate change mitigation in the community.

Customers

As the Company's principal customer, feedback from TfL and the metrics of the operating performance (as detailed in the Review of the business) helps inform our decisions and how we organise to provide an effective and efficient service.

Passengers

The passenger transport services that the Company provides is a key requirement of the local communities without which residents would not be able to travel to their places of work or leisure as efficiently and cost effectively. Concessionary pass holders rely on the services we operate to provide a means of reliable transport that helps to support mobility and quality of life. The goal is to give everyone access to convenient transportation and a more pleasant city to live in.

As part of the Company's assessment of quality of service delivery to bus passengers, the Company monitors the results of the BCES (Bus Customer Experience Survey) to inform and influence service delivery decisions. The BCES, managed by TfL, assesses the experience of bus travel from the customer's point of view. The assessors, employed by an external agency, travel on different buses for about 15 minutes each time looking at the cleanliness of the bus as well as the helpfulness and driving skills of the driver.

Employees

The Company recognises the importance of our people in our business; the men and women who work for the Company are at the heart of everything we do. That means offering our staff meaningful opportunities and bringing customers and passengers the solutions they trust us to provide. The skills, experience and knowledge that our employees bring to each of their roles and functions are critical to enable a safe and efficient service.

Treating one another with dignity, fairness and respect cultivates inclusion and the Company is committed to fostering a diverse workforce and appreciates the uniqueness of each of our employees. Diversity drives innovation and creates a workplace where all employees can grow their careers, support their communities and lend to the success of the Company.

The way the Company deals with employee engagement is dealt with in the Directors' Report under Employee Consultation.

The Company continues to liaise with TfL and its employees to manage any impact from Covid-19, providing cleaning of buses and premises and provision of protective measures where applicable to protect drivers and other stakeholders.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

SECTION 172(1) STATEMENT (CONTINUED)

Suppliers

The Company engages with suppliers for the provision of services and products at all levels in the organisation and across all garages. Before COVID-19 restrictions, Board and management representatives would regularly attend supplier events to share ideas, build and develop relationships across the supplier network, this is now starting to slowly return as lockdown restrictions and social distancing measures eases. For key investments, such as electrification of the garage infrastructure, and financing of the vehicle fleet, competitive invitations to tender would be issued to the relevant suppliers in the market to source and select the most appropriate for the Company, before awarding contracts. TfL and relevant industry commissioning bodies would typically be consulted or engaged in the process of garage of electrification.

Shareholders

The Executive management team and Board meets regularly including representatives from the parent company to provide and discuss health and safety matters, operational, financial updates and business performance, its liquidity status, forecasts, immediate and critical issues to long-term strategic plans. The Company has a single shareholder and therefore the directors have no requirement to report in relation to acting fairly between members.

Environment

The Company is proud of its ongoing investment in its fleet of vehicles improving emission standards as well as enlarging its fleet of zero emission buses that are contributing to the cleaner air agenda and long-term climate change mitigation in the community served by the Company. Where appropriate specific reporting on sustainability initiatives has been introduced and developed. During 2023 the Company will have c.22% of its fleet electrified.

Reputation for high standards of business conduct

Ethical business is a cornerstone of the Company's strategic approach, as part of its wider focus to be a responsible and committed employer and business partner. The Directors ensure that the Company implements procedures and awareness training which reflect the requirements of UK legislation such as the Bribery Act and the Modern Slavery Act, the Data Protection Act 2010 as well as the wider Group compliance procedures. The Company has reporting lines to the Board of Directors in place and is committed, in its day to day operations to uphold high standard of business conduct and integrity.

The Directors also recognise the need for a robust governance system surrounding business ethics that has clear responsibility, accountability and reporting lines for all levels across the Company.

Statement by the Directors in performance of their statutory duties in accordance with section 172 (1)(a-f) of the Companies Act 2006

The Company is controlled by RATP Dev Transit London Ltd, which is a wholly owned subsidiary of RATP Dev UK Ltd. The ultimate controlling entity is Régie Autonome des Transports Parisiens which, as per note 24, has its own Group governance structures.

The Board of Directors of the Company consider that they have properly discharged their duties and acted in good faith in a way they consider is most likely to promote the success of the Company, having regard to the matters set out section 172 (1) of the Companies Act 2006 and the Group corporate governance rules and principles (Group Corporate Governance). The terms of the Group Corporate Governance are consistent with section 172 (1) of the Companies Act 2006 in that they say how the Company should operate and how it should conduct its relationships with its employees, suppliers, customers, members and other stakeholders, and the communities in which it operates.

In accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this section constitutes the Company's statement on engagement with other key stakeholders.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
STRATEGIC REPORT (CONTINUED)**

Decision-Making at the Board

All matters which under the Company's governance arrangements are reserved for the decision by the Directors, are presented at board meetings. Directors are briefed on the background and reason for any proposal and the associated costs, benefits and risks, as well as any potential impacts and risks for our employees, partners and other stakeholders, including our suppliers, the community and environment and how they are to be managed. The Directors take these factors into account before making the final decision which together they believe is in the best interest of the Company and its member.

ON BEHALF OF THE BOARD:

Federico Tonetti
Federico Tonetti (Oct 11, 2023 15:59 GMT+1)
F C F Tonetti - Director

Date: Oct 11, 2023

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
DIRECTORS' REPORT**

The Directors present their report of the Company for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 16.

No dividends were paid during the current or prior year. The Directors have not recommended payment of a final dividend (2021: £nil).

Future developments

At the end of 2022 Regie Autonome des Transports Parisiens ('RATP'), the ultimate parent undertaking of the Company, initiated a strategic reflection process on the future of RATP Dev Transit London Limited and its subsidiaries ('the London business'). This process has been launched to define the means to strategically strengthen the position of the London business, regardless of the shareholding structure. In accordance with IFRS 5, RATP have presented their UK shareholding separately from their other assets and liabilities in their latest accounts. It is not expected that this review will have any immediate financial impact on trading.

In 2023 the Company aims to continue operating over 20% of its bus routes across its seven garages with an electric fleet of buses, rising to c22% over the year. The Company is operating in line with its business plan, with a continuing focus on electrification over the coming years as the Company supports the TfL ambition to have a 100% zero-emission bus fleet in London in the future by 2030. The Company is reviewing all activities and making changes as necessary to return to profitability, in particular by bidding sensibly for new routes as the opportunity arises.

Supplier and customer engagement

As noted above in the Strategic Report, the terms of the Group Corporate Governance are consistent with section 172(1) of the Companies Act 2006 in that they say how the Company should operate and how it should conduct its relationships with its employees, suppliers, customers, members and other stakeholders, and the communities in which it operates.

In accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this section constitutes the Company's statement on engagement with other key stakeholders.

Events after the reporting date

As referred to above in Future developments, at the end of 2022 Regie Autonome des Transports Parisiens ('RATP'), the ultimate parent undertaking of the Company, initiated a strategic reflection process on the future of RATP Dev Transit London Limited and its subsidiaries ('the London business').

Directors

The Directors who held office during the year and up to the date of signature of this report, except as noted, were as follows:

K S Nothey (resigned 19 December 2022)
A P Corbett (resigned 13 December 2022)
J J Keenan (resigned 24 April 2023)
J-L Onnis (resigned 31 March 2022)
M T Sinaceur
C M Chardon (resigned 31 January 2022)
A-F Laclide (resigned 30 November 2022)
F P Fullick (resigned 30 June 2022)
F Guthrie
C M Tong (appointed 9 May 2022)
W J Cahill (appointed 1 July 2022)
F C F Tonetti (appointed 1 July 2022)
J J Cohen (appointed 1 December 2022)
M A Fellahi (appointed 1 September 2022)
J H R Foldes (appointed 24 April 2023)
N J Wood (appointed 22 June 2023)

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
DIRECTORS' REPORT (CONTINUED)**

Qualifying third party indemnity provision

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.

Auditor

The Auditor, Mazars LLP, is deemed to be reappointment under section 487(2) of the Companies Act 2006.

Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- an indication of financial risk management objectives and policies required by paragraph 6(1)(a);
- an indication of exposure to price risk, credit risk, liquidity risk and cash flow risk required by paragraph 6(1)(b); and
- a statement describing the Company's policy regarding the hiring, continuing employment and training, and career development required by paragraph 10(3).

Financial instruments

The Company's activities expose it to certain financial risks. These include price risk related primarily to fuel prices, credit risk relating to trade receivables and liquidity risk. Management reviews financial risks regularly in accordance with Company policies. The Company uses a limited number of financial instruments to reduce exposure to commodity price risk but does not hold financial instruments for speculative reasons.

In response to the identified risks, the Company holds financial instruments to hedge financial risks associated with fuel purchases which are a major cost. Further details are given in note 12. The Directors have considered the credit and liquidity risks to be small, as the majority of trade receivables are from Transport for London and are settled on a regular basis in line with payment terms.

Going concern

As at 31 December 2022, the Company had net assets of £20,346,000 (2021: £43,705,000). As the Company was loss-making in the period and has net current liabilities of £38,896,000 at year end, the immediate parent company, RATP Dev Transit London Limited, has given assurance to provide support to the Company for at least twelve months from the date of issuing this report. RATP Dev Transit London Ltd has in turn received guarantees from its parent companies and the Directors are satisfied that sufficient funds are available.

While the strategic reflection process is ongoing, the Directors are aware of the need to drive the Company back to profitability in the future outside the period covered by parental guarantee. During 2022, the Company evolved the management team to add experience and drive improvements in the underlying business. The Company continues to invest in the modernisation of operating standards in the garages, investment in new technology and processes and further electrification of the garage infrastructure, with the expectation that these will reduce the operating loss in the short term and help drive the Company back to profitability in the future.

The Directors have therefore deemed it appropriate to prepare these financial statements on a going concern basis.

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.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
DIRECTORS' REPORT (CONTINUED)**

Energy and carbon report

Greenhouse gas emissions, energy consumption and energy efficiency action

In accordance with the disclosure requirements, the table below shows the Company's greenhouse gas emissions during the financial year:

	2022	2021
Energy consumption used to calculate emissions (MWh / Litres)		
Scope 1		
Gas consumption – Buildings (MWh)	4,965	5,484
Buildings – Fuel Oil (Litres)	-	-
Vehicles – Diesel Fuel (Litres)	15,033,206	15,621,697
Vehicles – Diesel Fuel (MWh)	174,836	181,680
Scope 2		
Building – Purchased electricity (MWh)	2,927	3,483
Vehicles – Purchased electricity (MWh)	4,663	456
Scope 1 emissions in metric tonnes CO2e		
Vehicle Consumption	39,344	38,761
Building consumption	912	1,009
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity Bus and Buildings	1,468	732
Total gross emissions in metric tonnes CO2e	41,724	40,502
Intensity ratio Tonnes CO2e per £millions turnover	0.232	0.232

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Governments Conversion Factors for Company Reporting.

Measures taken to improve energy efficiency

RATP Dev Transit London (the collective trading name for London United Busways Limited, London Sovereign Limited and London Transit Limited) is committed to minimising the impact our operations have on the communities in which they serve. We launched our two first 100% electric routes in 2019, as well as London's first fully electric 24-hour double-decker bus route in 2020. We now have a total of 18 electric routes operating from five garages, with electrification work continuing at a further garage.

Electrification plays a critical part of our business and partnership with Transport for London (TfL). In 2023, 28% of our entire fleet will be fully electric, with five electric garages and one more in progress; this makes us the largest operator of electric buses across London. Elsewhere in our fleet we run a large number of hybrid diesel-electric buses, which are also much kinder to the environment than conventional diesel, as we work hand in hand with TfL to transition to a 100% zero-emission bus fleet by 2030 and continue to help London achieve its sustainability goals.

Statement as to disclosure of information to auditors

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.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
DIRECTORS' REPORT (CONTINUED)**

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected under company law to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements are required by law and UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Company.

The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and Company and of the profit or loss of the Group for that year.

In preparing those 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;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- provide additional disclosure 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 for the foreseeable future.

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.

ON BEHALF OF THE BOARD:

Federico Tonetti
Federico Tonetti (Oct 11, 2023 15:59 GMT+1)
F C F Tonetti

Date: Oct 11, 2023

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT**

Opinion

We have audited the financial statements of London United Busways Limited (the 'company') for the year ended 31 December 2022 which comprise Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, 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 UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment;
- Evaluating the key assumptions used and judgements applied by the directors, specifically to the ability to rely on the letter of support from the parent, in forming their conclusions on going concern;
- Review of the parent financial statements and ensuring they have the resources to provide the financial support to the company; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 directors' report.

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 specified 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 12, 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.

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

**LONDON UNITED BUSWAYS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the accuracy and cut off assertions) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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. 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.


Gavin Barclay (Oct 26, 2023 10:01 AM +1)

Gavin Barclay (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
Date: 26 October 2023

LONDON UNITED BUSWAYS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

		<u>2022</u>	<u>2021</u>
		£'000	£'000
	Notes		
Continuing operations			
Revenue		179,932	174,526
Administrative expenses		(204,734)	(179,774)
Operating loss	6	(24,802)	(5,248)
Finance income	5	4	32
Finance costs	5	(3,067)	(2,770)
Loss before tax	6	(27,865)	(7,986)
Income tax credit	8	-	50
Loss for the year		<u>(27,865)</u>	<u>(7,936)</u>

None of the Company's activities were acquired or discontinued during the current or preceding period. The results of the Company are derived entirely from continuing operations for the current and preceding periods.

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		<u>2022</u>	<u>2021</u>
	Notes	£'000	£'000
Loss for the year		<u>(27,865)</u>	<u>(7,936)</u>
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Net fair value gains on cash flow hedges	11	1,228	2,511
Reclassified and reported in loss for the year	11	(278)	85
Income tax effect relating to the components of OCI	8	(139)	(680)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>811</u>	<u>1,916</u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain on retirement benefit	21	-	2,352
Income tax effect relating to the components of OCI	8	-	(833)
Revaluation of land and buildings	10	3,695	(1,337)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		<u>3,695</u>	<u>182</u>
Other comprehensive income for the year, net of tax		<u>4,506</u>	<u>2,098</u>
Total comprehensive loss for the year, net of tax		<u>(23,359)</u>	<u>(5,838)</u>

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
COMPANY NUMBER: 02328561

		2022	2021
	Notes	£'000	£'000
Non-current assets			
Intangible assets	9	1,400	2,295
Property, plant and equipment	10	144,103	144,600
Derivative financial assets	11	17	585
		145,520	147,480
Current assets			
Inventories	12	797	852
Trade and other receivables	13	5,129	8,658
Derivative financial assets	11	2,401	883
		8,327	10,393
Total assets		153,847	157,873
Equity			
Share capital	15	23,617	23,617
Share premium	16	3,576	3,576
Revaluation reserve	16	34,536	30,841
Other reserves	16	1,814	1,003
Retained earnings	16	(43,197)	(15,332)
Total equity		20,346	43,705
Non-current liabilities			
Intercompany loans	18	16,000	-
Lease liabilities	18	61,663	64,973
Deferred tax liabilities	20	8,615	7,087
		86,278	72,060
Current liabilities			
Trade and other payables	17	20,095	16,950
Bank overdraft	18	4,153	2,194
Lease liabilities	18	16,057	17,743
Provisions	19	6,918	5,221
		47,223	42,108
Total liabilities		133,501	114,168
Total liabilities and equity		153,847	157,873

The results of the Company are derived entirely from continuing operations for the current and preceding periods. The accompanying notes 1 to 24 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on Oct 11, 2023...and were signed on its behalf by:

Federico Tonetti
 Federico Tonetti (Oct 11, 2023 15:59 GMT+1).....
 F C F Tonetti

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

2021

As at 1 January 2021

Loss for the year	-	(7,936)	-	-	-	(7,936)
Net actuarial gain on retirement benefit plans	-	1,519	-	-	-	1,519
Deferred tax rate adjustment relating to revaluation reserve	-	-	-	(1,337)	-	(1,337)
Net fair value gain on cash flow hedge	-	-	-	-	1,916	1,916
Total comprehensive (loss)/income for the year	-	(6,417)	-	(1,337)	1,916	(5,838)
Issue of share capital (note 15)	20,041	-	-	-	-	20,041
Transfer of defined benefit pension to RATP Dev UK Ltd (note 21)	-	1,694	-	-	-	1,694
At 31 December 2021	23,617	(15,332)	3,576	30,841	1,003	43,705

Share capital	Retained earnings	Share premium	Revaluation reserve	Other reserves	Total
£'000	£'000	£'000	£'000	£'000	£'000
3,576	(10,609)	3,576	32,178	(913)	27,808
-	(7,936)	-	-	-	(7,936)
-	1,519	-	-	-	1,519
-	-	-	(1,337)	-	(1,337)
-	-	-	-	1,916	1,916
-	(6,417)	-	(1,337)	1,916	(5,838)
20,041	-	-	-	-	20,041
-	1,694	-	-	-	1,694
23,617	(15,332)	3,576	30,841	1,003	43,705

2022

As at 1 January 2022

Loss for the year	-	(27,865)	-	-	-	(27,865)
Revaluation of land and buildings	-	-	-	5,083	-	5,083
Deferred tax rate adjustment relating to revaluation reserve	-	-	-	(1,388)	-	(1,388)
Net fair value gain on cash flow hedge	-	-	-	-	811	811
Total comprehensive (loss)/income for the year	-	(27,865)	-	3,695	811	(23,359)
At 31 December 2022	23,617	(43,197)	3,576	34,536	1,814	20,346

Share capital	Retained earnings	Share premium	Revaluation reserve	Other reserves	Total
£'000	£'000	£'000	£'000	£'000	£'000
23,617	(15,332)	3,576	30,841	1,003	43,705
-	(27,865)	-	-	-	(27,865)
-	-	-	5,083	-	5,083
-	-	-	(1,388)	-	(1,388)
-	-	-	-	811	811
-	(27,865)	-	3,695	811	(23,359)
23,617	(43,197)	3,576	34,536	1,814	20,346

The results of the Company are derived entirely from continuing operations for the current and preceding periods. The accompanying notes 1 to 24 are an integral part of the financial statements.

LONDON UNITED BUSWAYS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Notes	£'000	£'000
Cash provided by:			
Net cash flow from operating activities	14	9,340	16,370
Lease interest paid		(2,751)	(2,252)
Bank and other interest paid		(316)	(502)
Transfer of pension scheme to parent		-	6,775
Net cash flows from operating activities		6,273	20,391
Investing activities			
Interest received		4	3
Purchase of property, plant and equipment	10	(6,081)	(10,771)
Sale of tangible fixed assets		1,053	20
Purchase of intangible fixed assets	9	(71)	(693)
Net cash flows used in investing activities		(5,095)	(11,441)
Financing activities			
Payment on lease liabilities		(19,137)	(16,454)
Issue of share capital		-	3,432
Intercompany loan received	18	16,000	-
Net cash flows used in financing activities		(3,137)	(13,022)
Net decrease in cash and cash equivalents		(1,959)	(4,072)
Cash and cash equivalents at beginning of year		(2,194)	1,878
Cash and cash equivalents at 31 December	14	(4,153)	(2,194)

The results of the Company are derived entirely from continuing operations for the current and preceding periods. The accompanying notes 1 to 24 are an integral part of the financial statements.

**LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1 Company information

London United Busways Limited ("the Company") is a private limited company limited by shares and is registered and incorporated in England and Wales. The registered office is Garrick House, Stamford Brook Bus Garage, 74 Chiswick High Road, London, W4 1SY.

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

The financial statements are presented in Pounds Sterling which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000, unless otherwise indicated.

2 Accounting policies

Accounting convention

These financial statements have been prepared on a going concern basis in accordance with UK-adopted International Financial Reporting Standards (IFRS). 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.

Going concern

As at 31 December 2022, the Company had net assets of £20,346,000 (2021: £43,705,000). As the Company was loss-making in the period and has net current liabilities of £38,896,000 at year end, the immediate parent company, RATP Dev Transit London Limited, has given assurance to provide support to the Company for at least twelve months from the date of issuing this report. RATP Dev Transit London Ltd has in turn received guarantees from its parent companies and the Directors are satisfied that sufficient funds are available.

While the strategic reflection process is ongoing, the Directors are aware of the need to drive the Company back to profitability in the future outside the period covered by parental guarantee. During 2022, the Company evolved the management team to add experience and drive improvements in the underlying business. The Company continues to invest in the modernisation of operating standards in the garages, investment in new technology and processes and further electrification of the garage infrastructure, with the expectation that these will reduce the operating loss in the short term and help drive the Company back to profitability in the future.

The Directors have therefore deemed it appropriate to prepare these financial statements on a going concern basis.

Revenue recognition

Revenue recognition is determined in accordance with IFRS 15 "Revenue from contracts with customers". The standard prescribes a five-step model to account for revenue which includes: to identify the contract and its performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognise revenue when a performance obligation is satisfied.

Revenue is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods and services and represents amounts receivable from its customers and income from other commercial services, net of VAT. The majority of the Company's revenue is generated from contracts with Transport for London (TfL). The Company together with other bus operators compete for TfL contracts, route by route, to provide specified services for up to seven years, and are rewarded for exceeding defined minimum performance standards, which are aimed at improving the service to passengers.

The base contract revenue is generally fixed for the duration, subject to service variation by TfL, adjusted each year in respect of inflation and revenue is recognised on a straight-line basis over the period of the contract. TfL receivable settlements operate on the basis of a 4-week accounting period, with 13 periods each year running from April to March. Contract payments are paid according to 75% of the contract price in the relevant period, to which the revenue is earned and the balance, less deductions for deductible lost mileage, paid at the end of the following period. Where there is a contingent element to contract revenue (for example, where additional amounts are payable or receivable based on performance standards), revenue is recognised once the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

2 Accounting policies (continued)

The Company has not shown any disaggregation of revenue recognised from contracts with customers, as almost all revenue is received from TfL and any other revenue is not material.

Other income

Other income that is incidental to the Company's principal activity of providing transport services is included within revenue and all such revenue relates to contracts with customers. This income is recognised as the income is earned and primarily relates to income from advertising.

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.

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.

Property, plant and equipment

Freehold land and buildings are stated in the statement of financial position 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 reporting date. A revaluation was undertaken in December 2022 by an independent third party on a 'fair value' basis and the figures presented reflect this review.

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 the 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 the statement of comprehensive 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. Other classes of assets 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, between 5 to 10 years
Long leasehold	-	Length of lease, between 7 to 14 years
Plant and machinery	-	From 3 to 10 years
Buses	-	Until the end of the route contract, generally 7 years
Other assets	-	From 2 to 10 years

Right of use assets relates to long leasehold which are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

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 reporting date. Depreciation is not charged against the asset until its completion and it has started to be utilised.

Impairment of intangible assets, tangible assets and right of use assets

The Company assesses whether there are any indicators of impairment for all assets at each reporting date. The carrying values of property, plant and equipment, and investments are measured using a cost basis and intangible assets 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 of the asset is quantified at the present value of expected future cash flows that will arise from the sale or use of the asset, and this is calculated as the greater of the fair value of the asset (reduced by any related selling costs), and value in the use of such assets. 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 estimation of future cash flows.

Financial instruments

Financial assets are classified as financial assets at fair value through profit or loss, fair value through other comprehensive income or amortised cost 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 or amortised cost, 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 statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets where there is an increased probability that the counterparty will be unable to settle an instrument's contractual cashflows on contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable, and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss on trade receivables is a probability weighted amount determined from grouping the receivables based on days overdue and making assumptions based on historic information to allocate an overall expected credit loss rate for each group.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs, when the Company becomes party to the contractual provisions of the instrument. The Company recognises an allowance for expected credit losses for customers and other receivables and the impairment provision to be recognised on origination of the customer balance based on its estimated credit loss and assessed throughout the life of the balance. Any changes in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Trade payables

Trade payables are not interest bearing and are stated at their amortised cost.

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 statement of comprehensive income over the period of the borrowing on an effective interest rate.

Equity instruments

Equity instruments 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, and only when the forecasted transaction which is being hedged is considered highly probable. 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 in other comprehensive income and the ineffective portion is recognised immediately in the statement of comprehensive income. If the cash flow hedge of a 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 statement of comprehensive income 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 statement of comprehensive income as they arise.

Inventories

Inventories consist of fuel as well as parts and materials required for the operation and maintenance of buses. These materials are valued at the lower of cost and net realisable value, being cost less due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

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 at the reporting date.

Taxable profit differs from net profit as reported in the statement of comprehensive income 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 at the reporting date.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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 reporting 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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. All leases entered into pre 1 January 2019, have been accounted for under IFRS 16.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and cash in hand and short-term deposits with an original maturity of three months or less.

**LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 Accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position 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. No discount is applied due to the lack of certainty over the timing of settlement and it is not expected that any discounting would be material.

Government grants

Government grants received on capital expenditure are initially recognised within deferred income in the statement of financial position and are subsequently recognised in the statement of comprehensive income on a systemic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure has been recognised. Government grants are netted off against the relevant expense rather than being recognised as other income.

Retirement benefit costs

The Company historically operated a defined benefit retirement scheme. The scheme was funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. The defined benefit plan defined an amount of pension benefit that an employee would receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for recognised 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.

Following consultation with the Trustee Board of London United Busways Retirement Benefits Plan ("Plan"), the Company transferred the Plan and changed the principal employer, effective from 17 June 2021 (date of signing of Deed of Substitution of Principal Employer and Apportionment) through a Flexible Apportionment Arrangement (FAA), to RATP Dev UK Ltd. The process for changing the principal employer, that was collectively agreed by the Trustee Board and the Company, included an assessment of the overall covenant and a strengthening of the parent guarantee to the scheme.

Defined contribution retirement costs

The Company also operates a defined contribution retirement scheme. The contributions of this scheme are recognised as an expense when they fall due. The scheme is open to employees to join, in accordance with the Pension Deed rules and the employee satisfying the scheme eligibility conditions. The scheme permits contributions from both the Company, which are accounted for as and when they fall due, and also contributions paid by the employee into the scheme, which are in general, subject to some exceptions, a deduction from the employees' salary.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

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 reporting 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:

- 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 statement of comprehensive income 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.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Standards, amendments and interpretations adopted in the current financial year ended 31 December 2022

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	UK effective date Periods beginning on or after
IAS 16 Property, Plant and Equipment (Amendment): Proceeds Before Intended Use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	1 January 2022

Standards, amendments and interpretations in issue but not yet adopted

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements.

	UK effective date Periods beginning on or after
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendment): Disclosure of Accounting Policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Accounting Estimates	1 January 2023
IAS 12 Income Taxes (Amendment): Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 16 Leases (Amendment): Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Non-current Liabilities with Covenants	1 January 2024
IAS 12 Income Taxes (Amendment): International Tax Reform – Pillar Two Model Rules	1 January 2023

3 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.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 Significant accounting judgements, estimates and assumptions (continued)

Critical areas of accounting estimates

The key assumptions concerning estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Provisions - the estimation of the insurance claims provision is based on an assessment of the settlement of known claims. Given the varying factors that determine the cost of an incident, the Company makes assumptions based on past experience of similar incidents as well as the advice of its lawyers and insurers. Details of the provision for claims are given in note 21, Provisions.

Fixed asset impairment and revaluation - in determining the carrying value of assets, the Company estimates the residual value of buses and the useful life of assets. These estimates are based on past experience as well as an analysis of operational value in use and comparable rental values/investment yields provided by a third party. The Company estimates the fair value of land and buildings on an annual basis with the assistance of external valuation experts. More information on the valuation of fixed assets is given in note 11, Property, plant and equipment.

Critical areas of accounting judgements

The key judgements made by the Directors in the process of applying the Company's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, including those that are made using key sources of estimation uncertainty as at the reporting date, are set out below:

Recognition of deferred tax assets - the Company recognises deferred tax assets where there is either a right of offset against a deferred tax liability or where there are expected to be sufficient taxable profits in the future to utilise any asset. The judgement on whether sufficient taxable profits will arise is made on the basis of the Company's budgets and forecasts, which reflect assumptions made on how the business will perform going forward. The level of deferred tax currently recognised in the Financial Statements is based on the forecast level of future profits in the Company's budgets. Details on deferred tax are given in note 22, Deferred tax.

Impairments - in determining the carrying value of assets, the Company makes a judgement as to whether any assets are no longer usable by the Company and, where that is deemed to be the case, the Directors make a judgement as to whether an impairment is appropriate. More information on the impairment of fixed assets is given in note 10, Intangible assets.

4 Employees and Directors

	2022	2021
	£'000	£'000
Wages and salaries	112,345	95,780
Social security costs	12,383	9,781
Other pension costs	3,281	3,037
	128,009	108,598

The prior year salary costs above include funds from government grants received in the year in relation to the Coronavirus Job Retention Scheme implemented by the UK government to help business during the COVID-19 pandemic. The total grants received during the year were £nil (2021: £853,000).

The average number of employees during the year was as follows:

	2022	2021
	Number	Number
Drivers and engineers	2,347	2,351
Management and administration	275	280
	2,622	2,631

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees and directors (continued)

	2022	2021
	£'000	£'000
Directors' remuneration	1,691	1,476
Directors' pension contributions to money purchase schemes	49	56
Compensation for loss of office	113	-
	1,853	1,532

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

Money purchase schemes	7	5
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2022	2021
	£'000	£'000
Directors' remuneration	406	369
Directors' pension contributions to money purchase schemes	-	-

5 Net finance costs

	2022	2021
	£000	£000
Finance income		
Deposit account interest	4	3
Net pension interest receivable	-	29
	4	32
Finance costs		
Bank interest	141	59
Other interest payable	160	443
Other interest accrued	15	16
Lease interest	2,751	2,252
	3,067	2,770
Net finance costs	3,063	2,738

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

6 Loss before income tax

The loss before income tax is stated after charging:

		2022	2021
		£'000	£'000
	Notes		
Costs of inventories recognised as an expense		19,742	20,752
Depreciation of property, plant and equipment	10	7,927	4,541
Depreciation of right-of-use assets	10	16,653	16,689
Impairment of assets	9	635	-
Expense relating to short-term leases	10	154	277
Restructuring costs		381	310
Loss on disposal of fixed assets	14	167	5
Amortisation of contract assets	13	317	242
Amortisation of intangible assets	9	331	272

7 Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the Company's auditor and their associates for the audit of the Company's financial statements	81	81

8 Income tax

	2022	2021
	£'000	£'000
Current income tax:		
Current income tax credit	-	(8)
Deferred tax:		
Relating to origination and reversal of temporary differences	-	(42)
Income tax (credit) reported in the income statement	-	(50)

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8 Income tax (continued)

Factors affecting the tax income

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£'000	£'000
Loss on ordinary activities before tax	(27,865)	(7,986)
Loss on ordinary activities multiplied by average rate of corporation tax in the UK		
19% (2021: 19%)	(5,294)	(1,517)
Other differences	22	490
Disallowable expenditure	43	84
Change in rate of deferred tax	(1,580)	925
Deferred tax recognised via SOCIE	(1,527)	(2,752)
Deferred tax not recognised	8,336	2,720
Total tax (income) for the year	-	(50)

Tax effects relating to effects of other comprehensive income

Year ended 31 December 2021

	Gross	Tax	Net
	£'000	£'000	£'000
Net fair value losses on cash flow hedges	2,596	(582)	2,014
Actuarial gains on retirement benefit	2,352	(833)	1,519
Deferred tax adjustment on revaluation of land and buildings	-	(1,337)	(1,337)
	4,948	(2,752)	2,196

Year ended 31 December 2022

	Gross	Tax	Net
	£'000	£'000	£'000
Net fair value gains on cash flow hedges	950	(139)	811
Deferred tax adjustment on revaluation of land and buildings	5,083	(1,388)	3,695
	6,033	(1,527)	4,506

Factors that may affect future tax charges

On 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25%, which was the tax rate substantively enacted at 30 April 2021.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

9 Intangible assets

	Other	Computer software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	123	2,568	2,691
Additions	-	693	693
At 31 December 2021	123	3,261	3,384
Additions	-	71	71
Disposals	-	(589)	(589)
At 31 December 2022	123	2,743	2,866
Amortisation and impairment			
At 1 January 2021	123	694	817
Amortisation	-	272	272
At 31 December 2021	123	966	1,089
Amortisation	-	331	331
Disposals	-	(589)	(589)
Impairment	-	635	635
At 31 December 2022	123	1,343	1,466
Net book value			
At 31 December 2022	-	1,400	1,400
At 31 December 2021	-	2,295	2,295

An amortisation charge of £331,000 has been included within administrative expenses.

During the year, the Company closed down a legacy IT system; this system has been superseded by a different system and no longer has any use within the business. As such the Company has impaired its carrying value to nil. An impairment charge of £635,000 has been recognised in relation to computer software and was included within administrative expenses.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 Property, plant and equipment

	Freehold land and buildings	Long leasehold improvements	Leasehold improvements	Assets under construction	Buses	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 January 2021	47,331	8,151	1,661	1,308	92,790	5,743	156,984
Additions	1,102	-	8	2,653	41,711	2,631	48,105
Disposals	-	(25)	-	-	(3,915)	-	(3,940)
Reclassification/transfer	-	-	-	(1,220)	1,220	-	-
At 31 December 2021	48,433	8,126	1,669	2,741	131,806	8,374	201,149
Additions	226	4,621	13	789	13,161	1,410	20,220
Revaluation adjustment	5,083	-	-	-	-	-	5,083
Disposals	(672)	(2,422)	(620)	-	(13,294)	(960)	(17,968)
Reclassification/transfer	34	-	-	(1,774)	304	1,436	-
At 31 December 2022	53,104	10,325	1,062	1,756	131,977	10,260	208,484
Depreciation and impairment							
At 1 January 2021	1,087	2,601	726	-	33,103	1,717	39,234
Depreciation charge for the year	571	1,293	114	-	18,347	905	21,230
Disposals	-	(25)	-	-	(3,890)	-	(3,915)
At 31 December 2021	1,658	3,869	840	-	47,560	2,622	56,549
Depreciation charge for the year	639	1,371	113	-	21,115	1,342	24,580
Disposals	(672)	(2,388)	(620)	-	(12,108)	(960)	(16,748)
At 31 December 2022	1,625	2,852	333	-	56,567	3,004	64,381
Net book value							
At 31 December 2022	51,479	7,473	729	1,756	75,410	7,256	144,103
At 31 December 2021	46,775	4,257	829	2,741	84,246	5,752	144,600

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 Property, plant and equipment (continued)

In December 2022, land and buildings were revalued by the Directors of the Company in line with market value increases as provided by an independent third party property consultancy. The external valuer has provided a 'fair value' valuation as at 31 December 2022.

At 31 December 2022, had the land and buildings of the Company been carried at historical cost less accumulated depreciation and accumulative impairment losses, their carrying amount would have been £10,994,000 (2021: £9,995,000).

The revaluation surplus is disclosed in the statement of change in equity.

The Company leases some long leasehold land and buildings with an average lease term of 5 years (2021: 4.2 years) as well as buses with an average lease term of 2.6 years (2021: 2.8 years).

The net book value of owned and leased assets included as "Property, plant and equipment" in the statement of financial position is as follows:

	2022	2021
	£000	£000
Right-of-use property, plant and equipment	50,624	53,502
Property, plant and equipment owned	93,479	91,098
	144,103	144,600

Information about right-of-use assets is summarised below:

Net book value

	2022	2021
	£'000	£'000
Long leasehold	7,473	4,258
Buses	43,151	49,244
	50,624	53,502

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised in the statement of financial position:

Right-of-use asset	No of right-of-use assets leased	Average remaining term
Long leasehold	6	5
Buses	69	2.6

There were no extension options, purchase options, lease payments, or termination options on any of the leases.

Amounts recognised in the statement of cash flows

	2022	2021
	£'000	£'000
Buses	3,643	5,156
Long leasehold	2,438	5,615
	6,081	10,771

	2022	2021
	£'000	£'000
Payment of lease principal within financing activities	19,137	16,454
Interest payments on leases within operating activities	2,751	2,252
	21,888	18,706

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 Property, plant and equipment (continued)

Amounts recognised in the statement of comprehensive income

	2022	2021
	£'000	£'000
Depreciation expense on right-of-use asset	16,653	16,689
Interest expense on lease liabilities	2,751	2,252
	19,404	18,941

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense of £154,000 (2021: £277,000) in profit or loss on a straight-line basis over the lease term.

11 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 15 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 reporting date as at 31 December 2022 as set out below:

	2022	2021
	£'000	£'000
Other financial assets	2,418	1,468
Net other financial assets	2,418	1,468

RATP Dev UK Ltd ('RD UK') enters into futures for the purchase of fuel on behalf of RATP's UK Group, then enters into back-to-back contracts with the relevant trading entities, including London United Busways Limited. Each of RATP's trading companies is responsible for purchasing fuel on its own behalf. The Company's future contracts are hedging instruments against the Company's highly probable purchase of fuel for the buses it operates and the Company applies hedge accounting in this respect. The fair value of the assets is shown above.

The notional amount of fuel covered by derivative financial instruments as at 31 December 2022 was 13 million litres (2021: 34 million litres). Due to the volatile diesel price the Company did not enter new instruments during the year, but going forward the Company aims to hedge between 50% and 100% of its expected future purchases of fuel for the next three financial years.

Hedge ineffectiveness results from timing differences between the date fuel is purchased and the date the forwards mature. The determined risk component of diesel fuel is the price of crude oil, being the largest component of the retail price of diesel fuel accounting for approximately 40% of that price. The derivative and the item being hedged (up to the hedged risk) are revalued, and any changes are simultaneously recorded in the cash flow hedging reserve. The net effect of the ineffective portion of the hedge is recognised in the income statement.

The Company documents the effectiveness of its hedges by establishing that there is an economic relationship between the base transaction and the hedging transaction, that these counterbalance each other, in part or in full, and that the strategy implemented makes it possible to cover the risks incurred.

There were no embedded derivatives as at 31 December 2022 (2021: nil) which IFRS 9 requires to be separately accounted for.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11 Financial instruments (continued)

Cash flow hedges

The fuel derivatives hedge the underlying commodity price risk (denominated in \$US). The fuel derivatives are made up of fuel price forwards. Due to the nature of the hedging instruments and hedged items, there was no hedge ineffectiveness in the current or comparative period recognised in the income statement.

The fair value of fuel derivatives as at 31 December 2022 was an asset of £2,418,000 (2021: £1,468,000). The movements in the fair value of fuel derivatives in the year ended 31 December 2022 were as follows:

	2022	2021
	£'000	£'000
Fuel derivatives		
Fair values as at 1 January	1,468	(1,128)
Changes in fair value during the period taken to cash flow hedging reserve	950	2,511
Changes in fair value during the period taken directly to income statement	-	85
Fair values as at 31 December	2,418	1,468

The fair value of the fuel derivatives split by maturity is as follows:

	<3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
2021					
Fuel derivative liability	-	-	-	-	-
Fuel derivative asset	192	691	585	-	1,468
	192	691	585	-	1,468
2022					
Fuel derivative liability	-	-	-	-	-
Fuel derivative asset	962	1,439	17	-	2,418
	962	1,439	17	-	2,418

The movements in the cash flow hedging reserve (all of which related to the above fuel derivatives in the year ended 31 December 2022) were as follows:

	2022	2021
	£'000	£'000
Cash flow hedging reserve		
Cash flow hedging reserve at start of year	(1,003)	913
Changes in fair value during the period taken to cash flow hedging reserve	(1,228)	(2,511)
Cash flow hedges reclassified and reported in income statement	278	(85)
Tax effect of cash flow hedges	139	680
Cash flow hedging reserve at end of year	(1,814)	(1,003)

The table below shows the maturity profile of the above fuel derivative contracts. The maturity of the cashflow hedge is shown in note 20.

	<3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
2021					
Notional amount receivable	189	743	746	-	1,678
2022					
Notional amount receivable	962	1,439	17	-	2,418

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11 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, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, reserves and retained earnings.

The Company used derivative financial instruments to reduce exposure to commodity price risk. The Company does not hold or issue derivative financial instrument for speculative purposes. The Company's transport operations consume 15.0 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.

Categories of financial instruments

	Fair value 2022 £'000	Amortised cost 2022 £'000	Fair value 2021 £'000	Amortised cost 2021 £'000
Financial assets				
Trade and other receivables	-	2,695	-	5,717
Amounts owed to group undertakings	-	1,011	-	-
Derivative financial assets	2,418	-	1,468	-
	2,418	3,706	1,468	5,717
Financial liabilities				
Trade payables	-	2,170	-	858
Amounts owed to group undertakings	-	199	-	154
Bank overdraft	-	4,153	-	2,194
Intercompany loan	-	16,000	-	-
Lease liabilities	-	77,720	-	82,716
	-	100,242	-	85,922

Financial risk management objectives

The Company's activities expose it to certain financial risks. This price risk relates primarily to diesel and electricity prices. The Company is not significantly exposed to foreign exchange risk and credit 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.

In line with the reform of interest rate benchmarks, the Company transitioned its financial documents from LIBOR to SONIA in the prior year. The Company determined no material impact on financial risk relating to these reforms.

Credit risk

The Company's principal financial assets are 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.

Trade receivables 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 significant credit risk exposure or any significant payment delay beyond contractual terms.

Liquidity risk

The Company maintains and reviews its cash position on a regular basis to ensure it can manage its liquidity risk. The Company has one key customer in which funds are obtained on a regular basis in line with payment terms allowing the Company to manage their cash position.

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments. For the undiscounted cashflow please refer to note 20, Trade and other payables and bank overdraft will be the same value for both discounted and undiscounted cashflows.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11 Financial instruments (continued)

	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Trade and other payables	-	858	-	-	-	858
Lease liabilities	-	4,436	13,307	43,782	21,191	82,716
Bank overdraft	-	2,194	-	-	-	2,194
	-	7,488	13,307	43,782	21,191	85,768
	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2022						
Trade and other payables	-	2,170	-	-	-	2,170
Lease liabilities	-	4,014	12,043	41,277	20,386	77,720
Intercompany loans	-	-	-	16,000	-	16,000
Bank overdraft	-	4,153	-	-	-	4,153
	-	10,337	12,043	57,277	20,386	100,043

Fair value estimation

The Company has adopted the amendment to IFRS 7 for financial instruments that are measured at the reporting date 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 derivative financial assets and liabilities are valued by the bank on a contract basis at the end of each period and reflected to the fair value.

Revaluation of property

The revaluation of the property is categorised as Level 3 as per the above definition. The 'fair value' valuation of the property as at 31 December 2022 is based on external information on the industrial/commercial real estate market from experts in the sector. The percentage used for the fair value is adjusted slightly, due to the nature of the properties and some limitations from the listed buildings which would impact the fair value.

12 Inventories

	2022	2021
	£'000	£'000
Material	411	375
Fuel	386	477
Total inventories	797	852

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

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

13 Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	2,123	169
Amounts owed by group undertakings	1,011	725
Amounts recoverable on contract	217	534
Other receivables	355	4,288
VAT	1,206	2,870
Prepayments	217	72
	5,129	8,658

Trade receivables are primarily due from one counterparty, however the Directors do not consider the Company to be significantly exposed to credit risk because the debtor is a government body. Other receivables are linked to the services provided to the primary customer in relation to QIC (Quality Incentive Contracts) bonuses and settlements and provisions in relation to these balances are aligned with trade receivables.

The Directors consider that the carrying amount of trade receivables approximates to their fair value. No significant expected credit loss provision has been made against trade receivables due to the Company working with one key customer in which funds are received in line with contract terms.

Amounts recoverable on contracts are specific costs incurred in line with commercial agreements that are required for the delivery of the contracts and are amortised over the life of the contract.

The amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand.

14 Cash generated from operations

	Notes	2022 £000	2021 £000
Loss before tax		(27,865)	(7,986)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation charges	11	24,580	21,230
Amortisation of intangible assets	10	331	272
Impairment of assets		635	-
Loss on disposal of property, plant and equipment		167	5
Finance costs	6	3,067	2,770
Finance income	6	(4)	(32)
Working capital adjustments:			
Increase in provisions	21	1,697	2,327
Difference between pension charge and cash contributions		-	(316)
Decrease in inventories	13	55	14
Decrease/(increase) in trade and other receivables		3,531	(824)
Increase/(decrease) in trade and other payables		3,146	(1,090)
		9,340	16,370

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

15 Share capital

Issued, called up and fully paid

	<u>2021</u>	<u>2021</u>
	Units	£'000
Ordinary shares of £1 each	23,616,985	23,617
At 31 December 2021	<u>23,616,985</u>	<u>23,617</u>

	<u>2022</u>	<u>2022</u>
	Units	£'000
Ordinary shares of £1 each	23,616,985	23,617
At 31 December 2022	<u>23,616,985</u>	<u>23,617</u>

All categories of Ordinary shares hold one vote each. The shares in issue rank pari passu in all respects, except as otherwise stated within the Company's articles. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid of the shares held.

On 10 December 2021 the Company issued 3,431,701 Ordinary shares of £1 each for a total cash consideration of £3,431,701.

On 10 December 2021 the Company also issued 16,608,784 Ordinary shares of £1 each for a total non-cash consideration of £16,608,784. The consideration was satisfied against outstanding intercompany payable of £16.6m.

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 reserves relate to the cash flow hedging reserve which is disclosed in financial instruments note 12.

Retained earnings

Retained earnings are the cumulative earnings of the Company after accounting for dividends.

17 Trade and other payables

	<u>2022</u>	<u>2021</u>
	£'000	£'000
Trade payables	2,170	858
Amounts owed to group undertakings	199	154
Social security and other taxes	3,621	3,139
Accruals and deferred income	14,105	12,799
	<u>20,095</u>	<u>16,950</u>

The amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

Included in the accruals and deferred income balance above is an amount of £3,092k (2021: within other debtors of £1,602k) in relation to a contract liability. These balances have been recognised in revenue during 2023.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 Financial liabilities

	2022	2021
	£'000	£'000
Current:		
Bank overdrafts	4,153	2,194
Lease liabilities	16,057	17,743
	20,210	19,937
Non-current:		
Intercompany loans	16,000	
Lease liabilities	61,663	64,973
	77,663	64,973

Other loans - intercompany

Included within intercompany loans above are two loans from RATP Dev Transit London Ltd, for £6m and £10m (2021 - £nil) which incur interest at SONIA + 1.46% and are due for repayment on 31 March 2024 and 14 December 2024, respectively. These loans were received on 31 December 2022.

Term and debt repayment schedule - Discounted cashflow

Year ended 31 December 2021	1 year or less	1 - 2 years	2-5 years	more than 5 years	Totals
	£'000	£'000	£'000	£'000	£'000
Bank overdraft	2,194	-	-	-	2,194
Lease liabilities	17,743	27,151	16,631	21,191	82,716
	19,937	27,151	16,631	21,191	84,910
Year ended 31 December 2022	1 year or less	1 - 2 years	2-5 years	more than 5 years	Totals
	£'000	£'000	£'000	£'000	£'000
Bank overdraft	4,153	-	-	-	4,153
Intercompany loans	-	16,000	-	-	16,000
Lease liabilities	16,057	25,164	16,113	20,386	77,720
	20,210	41,164	16,113	20,386	97,873

Term and debt repayment schedule - Undiscounted cashflow

Year ended 31 December 2021	1 year or less	1 - 2 years	2-5 years	more than 5 years	Totals
	£'000	£'000	£'000	£'000	£'000
Bank overdraft	2,194	-	-	-	2,194
Lease liabilities	17,923	27,481	16,925	21,326	83,655
	20,117	27,481	16,925	21,326	85,849
Year ended 31 December 2022	1 year or less	1 - 2 years	2-5 years	more than 5 years	Totals
	£'000	£'000	£'000	£'000	£'000
Bank overdraft	4,153	-	-	-	4,153
Intercompany loans	-	16,423	-	-	16,423
Lease liabilities	16,236	25,486	16,396	20,514	78,632
	20,389	41,909	16,396	20,514	99,208

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The discount rate used is 6.4% (2021: 5.7%), based on the wider Group's estimated incremental borrowing rate (IBR).

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 Financial liabilities (continued)

	1 January 2022	Cash flows	New leases	Other	31 December 2022
	£'000	£'000	£'000	£'000	£'000
Current interest-bearing loans and borrowings	2,194	1,959	-	-	4,153
Current lease liabilities	17,743	(19,137)	1,087	16,364	16,057
Intercompany loans	-	16,000	-	-	16,000
Non-current lease liabilities	64,973	-	13,154	(16,464)	61,663
	84,910	(1,178)	14,241	(100)	97,873

The 'Other' column includes the effect of reclassification of non-current liabilities to current due to the passage of time.

19 Provisions

	Claims £'000
At 1 January 2022	5,221
Charged for the period	4,687
Utilised during the period	(2,990)
At 31 December 2022	6,918

Claims

Provision for claims against the Company, mainly for motor related incidents, are established when it is considered probable that the Company will be liable for the claim cost and that this can be reliably measured. Claims may relate to personal injury and / or vehicle damage and the Company is advised by 3rd party claims-handling agents on the likelihood of the claim outcome and the estimated monetary cost, both of which are monitored and updated over time.

The majority of claims are anticipated to be settled within five years of the balance sheet date, although the timing of any outflow is dependent on the settlement of each individual claim.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

20 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 year.

	Accelerated tax depreciation	Revaluation of building	Retirement benefit obligations	Cashflow hedging obligation	Trading losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2020	(472)	(4,602)	(775)	(124)	-	(5,973)
Credit / (charge) to income	(211)	-	(86)	339	2,720	2,762
(Charge) to equity	-	(1,337)	(833)	(680)	-	(2,850)
Deferred tax asset w/off	-	-	-	-	(2,720)	(2,720)
Transfer of pension to RATP	-	-	1,694	-	-	1,694
At 31 December 2021	(683)	(5,939)	-	(465)	-	(7,087)
Credit / (charge) to income	(9,693)	-	-	-	9,692	(1)
(Charge) to equity	-	(1,388)	-	(139)	-	(1,527)
Balance at 31 December 2022	(10,376)	(7,327)	-	(604)	9,692	(8,615)

The utilisation of the deferred tax asset recognised above is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. These temporary differences relate to the superdeduction taken on qualifying special rate assets in the year.

The Company has an unrecognised deferred tax asset of £14,002,000 (2021: £4,786,000) relating to carried forward trading losses, due to uncertainty over the timing of future profits against which these could be offset.

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

	2022	2021
	£'000	£'000
Deferred tax liabilities	(8,615)	(7,807)

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21 Employee benefit obligations

Defined benefit scheme

The Company operated 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 decision was taken by management to close the scheme for future accrual with effective date beginning on 30 June 2017. From this date the members of the plan are not entitled anymore for future defined benefits and are auto-enrolled back to the defined contribution schemes.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 1 January 2020 by Mr M Wilkinson, Fellow of the Institute of Actuaries and Faculty of Actuaries and concluded in June 2021. This was the statutory valuation of the scheme. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method.

Following consultation with the Trustee Board of London United Busways Retirement Benefits Plan ("Plan"), the Company transferred the Plan and changed the principal employer, effective from 17 June 2021 (date of signing of Deed of Substitution of Principal Employer and Apportionment) through a Flexible Apportionment Arrangement (FAA), to RATP Dev UK Ltd. The process for changing the principal employer, that was collectively agreed by the Trustee Board and the Company, included an assessment of the overall covenant and a strengthening of the parent guarantee to the scheme. Consequently, the estimated deficit reduction contributions paid into the Plan during the prior financial year was £249,000. This is in accordance with the Company transferring the Plan and changing the principal employer, effective from 17 June 2021.

The transfer of the Plan was completed by a £6,775,000 cash payment made to the Company by RATP Dev UK Ltd. The Company recognised an asset of £4,078,000 in respect of the Plan as at 31 December 2020 and, following cash contributions by the Company during the prior year of £565,000, this asset was valued at the point of transfer at £4,643,000. The difference between these values of £2,132,000 was recognised as a debit of £220,000 in the Income Statement and a credit of £2,352,000 in Other Comprehensive Income.

In accordance with the statutory obligation of the Plan and 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.

At 31 December 2022, no amounts were recognised in the statement of financial position (2021 - £nil).

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21 Employee benefit obligations (continued)

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans	
	2022	2021
	£'000	£'000
Net interest from net defined benefit asset/liability	-	(29)
Administrative expenses	-	249
	-	220

Of the charge for the period, £nil (2021: £249,000) has been included in operating expenses.

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

	Defined benefit pension plans	
	2022	2021
	£'000	£'000
Opening defined benefit obligation	-	122,703
Loss on settlements	-	6,775
Interest cost	-	819
Benefits paid	-	(1,303)
Actuarial (losses)	-	(7,334)
Transfer to parent entity	-	(121,660)
	-	-

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

	Defined benefit pension plans	
	2022	2021
	£'000	£'000
Opening fair value of scheme assets	-	126,781
Contributions by employer	-	565
Interest income	-	848
Administrative expenses	-	(249)
Actuarial (losses)	-	(4,982)
Benefits paid	-	(1,303)
Transfer to parent entity	-	(121,660)
	-	-

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2022	2021
	£'000	£'000
Effect of changes in financial assumptions	-	(7,334)
Return on plan assets	-	4,982
	-	(2,352)

Defined contribution scheme

The Company also operates defined contribution pension schemes. The charge to the statement of comprehensive income for the schemes in the year was £3,281,000 (2021: £3,037,000). Included in other creditors is £628,000 (2021: £932,000) in respect of unpaid contributions at the reporting date.

LONDON UNITED BUSWAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

22 Related party disclosures

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

	Purchases from related party		Sales to related party	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
RATP Dev UK Limited	2,394	1,781	13	13
Quality Line Transport Ltd	-	-	8	161
London Transit Limited	-	-	1,013	18
London Sovereign Limited	-	-	3,744	3,128
	2,394	1,781	4,778	3,320

	Amounts owed to related party		Amounts owed by related party	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
RATP Dev UK Ltd	-	-	16	173
RATP Dev SA	190	16	-	-
Metrolink RATP Dev Limited	-	-	-	6
Quality Line Transport Limited	-	-	-	484
London Transit Limited	-	-	873	61
London Sovereign Limited	-	79	121	-
RATP Dev Transit London Limited	16,009	-	1	1
The Original London Sightseeing Tour Limited	-	59	-	-
	16,199	154	1,011	725

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 4.

RATP Dev UK Ltd (RD UK) entered into futures for the purchase of fuel on behalf of RATP's UK Group, then entered into back-to-back contracts with the relevant trading entities, including London United Busways Limited. Each of RD UK's trading companies are responsible for purchasing fuel on its own behalf.

23 Events after the reporting date

At the end of 2022 Régie Autonome des Transports Parisiens ('RATP'), the ultimate parent undertaking of the Company, initiated a strategic reflection process on the future of RATP Dev Transit London Limited and its subsidiaries ('the London business'). This process has been launched to define the means to strategically strengthen the position of the London business, regardless of the shareholding structure. In accordance with IFRS 5, RATP have presented their UK shareholding separately from their other assets and liabilities in their latest accounts. It is not expected that this review will have any immediate financial impact on trading.

24 Ultimate controlling party

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, a company incorporated in France. The accounts of Régie Autonome des Transports Parisiens are available at 54, Quai de la Rapée - LAC LA 30, 75012 Paris or from their website: www.ratp.fr/en/groupe-ratp/group-presentation/our-essential-documents.

The Company's immediate parent company is RATP Dev Transit London Limited, a company registered in England and Wales.