

The City of Oxford Motor Services Limited

Annual Report and Financial Statements

Year ended 29 June 2019



The City of Oxford Motor Services Limited
Registered No: 00091106

Directors

D A Brown
R Woodhouse
L C Marion
P R Southall
P Hennigan
E Brian

Company Secretary

C Ferguson

Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Bankers

The Royal Bank of Scotland plc
250 Bishopsgate
London
EC2M 4AA

Solicitors

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Registered office

3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

The City of Oxford Motor Services Limited

Strategic report

The directors present their strategic report for the year ended 29 June 2019.

The City of Oxford Motor Services Limited (the “Company”) is a wholly owned subsidiary of The Go-Ahead Group plc (the “Group”).

Business Review

The profit for the year, after taxation, amounted to £564,000 (2018: £1,975,000). £500,000 dividends were paid and proposed in the year (2018: £2,100,000). The directors do not recommend a final ordinary dividend for the year.

Key Performance Indicators

The Company’s key financial and other performance indicators during the year were as follows:

	2019 £000	2018 £000	Change %
Revenue	40,902	39,959	2.4%
Operating profit	838	2,498	(66.5)%
Profit for the Financial Year	564	1,975	(71.4)%
Shareholders’ equity	4,341	4,802	(9.6)%
Passenger journeys (‘000)	18,615	18,415	1.0%
Miles operated (‘000)	9,815	10,088	(2.7)%
Customer satisfaction (City)	92%	89%	3.4%
Customer satisfaction (Park & Ride)	96%	93%	3.2%
Average number of employees	601	569	5.6%

Principal activities and review of the business

City of Oxford Motor Services Limited

The principal activity of the Company during the year was the provision of bus transport services within Oxfordshire and the surrounding counties.

The Company operates a network of high frequency local bus services in the central Oxfordshire sub-region, specifically in Oxford, Kidlington, Botley, and Abingdon. It provides Park & Ride services into Oxford city, and high frequency coach services to central London and to Heathrow and Gatwick airports. It also has a high profile partnership with Oxford Brookes University in delivering the BROOKESbus service network, and operates contracted services on behalf of National Express, and for other local businesses.

This year saw a continuation of the trend seen in recent history, with increasing levels of road traffic congestion in Oxford city leading to reducing bus operating speeds, and making it increasingly difficult for the company to operate profitably.

Passenger numbers grew 1.0%, primarily due to the introduction of the “PickMeUp” demand responsive bus service on 25 June 2018. This service saw 146,000 journeys completed during the year and became the UK’s largest demand responsive bus scheme by passenger numbers as a result.

Revenue growth was encouraging, at 2.4% and reflecting the additional revenue generated by the PickMeUp service, along with contract revenues from a new experimental coach service to Bristol and Birmingham

The City of Oxford Motor Services Limited

Strategic report (continued)

operated in partnership with SN-AP Travel Technologies Limited between August 2018 and June 2019. This service ceased to operate before the year end, following cash flow difficulties experienced by the contract partner.

Operating margin dropped significantly, from 6.0% in the prior year to just 2.0%. The PickMeUp service remained loss making, as expected at the point of launch, and was responsible for a 1.3% dilution in overall margin. In addition no profit was earned from the developmental venture with SN-AP, and a marked increase in engineering costs was noted in the year reflecting the increasing complexity of the local bus fleet associated with the move to hybrid and ultra-low emission vehicles.

The company continued to invest in its fleet in the year, with a total of 11 new Euro VI rated vehicles being purchased, including 6 new hybrid vehicles for use on the BROOKESbus contract. In addition, 46 vehicles in the fleet saw their exhaust systems upgraded to Euro VI standard in the year, with part funding provided by the DfT's Clean Bus Technology Fund and Oxford City Council. A new fleet of 11 coaches for "the airline" service were ordered in the year and due for delivery immediately following the year end.

The directors see customer satisfaction as a key indicator and this year the results from the 2018 Transport Focus National Bus Passenger Satisfaction survey for both local and Park & Ride services were once again above average. Satisfaction with local services increased from 89% to 92%, while satisfaction with Park & Ride services increased from 93% to 96%, the highest result seen in the survey nationwide.

Miles operated for the year reduced by 2.7% to 9.8m, reflecting further frequency reductions to service X90 necessary to better reflect demand levels following the opening of the rail line between Oxford and London Marylebone.

Employee numbers increased by 5.6%, reflecting the new jobs created for the PickMeUp service. The Company continued to strive to improve colleague engagement in the year and this was recognized with the achievement of "Investors in People" silver accreditation in March 2019.

Future Developments

The directors expect the general level of activity to remain consistent with 2018/19 in the forthcoming year.

Principal Risks and Uncertainties

The main risks associated with the Company's activities are set out below. Given that the majority of the financial risks below derive from transactions with other Group companies, the Company does not undertake any hedging activity locally. Significant financial risks from a Group perspective are addressed on a case-by-case basis at Group level.

Interest rate risk

All surplus cash is transferred to the ultimate parent company, which is invested at a Group level. Interest is charged at a variable rate on Group loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced because of the Group control. There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates.

Commodity Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates. The Company is exposed to commodity price risk as a result of fuel usage. The Company closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Group Board approval. Risk

The City of Oxford Motor Services Limited

Strategic report (continued)

component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased.

Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship.

Credit risk

The Company's credit risk is primarily attributable to its financial assets, comprising trade and other receivables, cash and cash equivalents and fuel hedge derivatives. The maximum credit risk exposure comprises amounts from a number of unconnected parties.

In relation to provisions for impairments of trade receivables, the Company applies the IFRS 9 simplified approach and provisions are made based on the expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, customer rating and past experience. Provisions for the impairment of trade receivables are recorded within operating costs within the income statement, with any subsequent recoveries being offset against these.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations in line with Group policies. A cash sweeping facility exists with the ultimate parent company and therefore further information regarding the liquidity risk can be found in the Group financial statements. Capital expenditure is approved at Group level.

Risks associated with the UK's exit from the European Union

The Company is dependent on a strong and vibrant local economy for continued success and to support this the directors work closely with many business associations such as the CBI, Thames Valley Chamber of Commerce and Local Enterprise Partnerships. Through working in partnership with these groups the Company is able to support and help protect the local economy.

As a major employer the Company has many colleagues originating from countries within the European Union and the directors are committed to making the Company a positive and inclusive place to work for all colleagues.

The majority of the Company's major suppliers are based in the UK and both the revenue and cost base of the Company is therefore primarily denominated in sterling. However the Company is exposed to some indirect currency risk from suppliers based in the European Union whose cost base is wholly or partly denominated in Euro, primarily in relation to engineering materials used to maintain vehicles. The Company manages this risk through regularly re-tendering contracts for the supply of these parts and ensuring these contracts are denominated in sterling.

The Strategic Report was approved by the board of directors and signed on their behalf by:



E Brian
Director
20 November 2019

The City of Oxford Motor Services Limited

Directors' report

The directors present their annual report, together with the financial statements and auditors report.

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 to set out in the Company's strategic report the following which the directors believe to be of strategic importance:

- Review of business
- Future developments
- Financial risk management objectives and policies.

Directors

The directors who served the Company during the year, and up to the date of approval of the financial statements, were as follows:

D A Brown
 R Woodhouse
 P R Southall
 L C Marion
 S P Butcher (resigned 30 November 2018)
 P Hennigan (appointed 1 April 2019)
 E Brian (appointed 5 June 2019)

Messrs Brown and Butcher and Mrs Brian were directors of the ultimate parent company, The Go-Ahead Group plc during the period.

Results and Dividends

Profit for the year after taxation amounted to £564,000 (2018: profit £1,975,000).

Dividends of £500,000 were paid during the year (2018: £2,100,000). The directors do not recommend a final ordinary dividend for the year.

Financial risk management objectives and policies and future developments

Financial risk management objectives and policies and future developments are included within the strategic report.

Management and staff

The Company is committed to involve all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Company. Discussions take place regularly with trade unions representing the employees on a wide range of issues.

The Company also encourages employee involvement in the Company's performance through a number of share schemes including a Share Incentive Plan and Save As You Earn Scheme. Details of these schemes can be found in the notes to the financial statements.

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the Company.

Going Concern

The directors have considered the Company's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing from its ultimate group undertaking and are satisfied that the Company can continue to pay its liabilities as they fall due for a year of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements. We have obtained confirmation from The Go Ahead Group plc that they will continue to provide the financial support for at least 12 months from the date of approval of the balance sheet.

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Directors' report (continued)

Events since the balance sheet date

There were no significant events occurring after the balance sheet date, up to the date of approval of the financial statements, requiring disclosure in these financial statements.

Directors indemnities

The Go-Ahead Group plc ("Group") maintains directors' and officers' liability insurance, for both the plc and its subsidiaries, which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its, and its subsidiaries, directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 29 June 2019 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be put to the members at the Company's Annual General Meeting.

Directors' responsibilities for audit information

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (this is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Registered office:
 3rd Floor
 41 - 51 Grey Street
 Newcastle upon Tyne
 NE1 6EE

On behalf of the Board



E Brian
 Director
 20 November 2019

The City of Oxford Motor Services Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS.101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of The City of Oxford Motor Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The City of Oxford Motor Services Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 24

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of The City of Oxford Motor Services Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

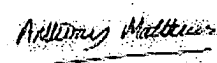
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our 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.



Anthony Matthews FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP, Statutory Auditor, London, United Kingdom,
20 November 2019

Income statement
 for the year ended 29 June 2019

	Notes	2019 £000	2018 £000
Revenue	3	40,902	39,959
Operating costs	4	(40,064)	(37,461)
Operating profit	5	838	2,498
Interest payable and similar charges	8	(185)	4
Investment income	13	200	-
Profit before taxation		853	2,502
Tax on profit	9	(289)	(527)
Profit for the year from continuing operations		564	1,975

Statement of comprehensive income
 for the year ended 29 June 2019

	2019 £000	2018 £000
Profit for the year from continuing operations	564	1,975
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Unrealised gains/(losses) on cashflow hedges	(93)	1,538
(Gains)/losses on cashflow hedges taken to income statement – operating costs	(541)	(113)
Tax relating to items that may be reclassified (note 9)	113	(262)
Other comprehensive income for the year, net of tax	(521)	1,163
Total comprehensive income for the year	43	3,138

Statement of changes in equity

for the year ended 29 June 2019

	<i>Note</i>	<i>Share capital</i> £000	<i>Hedging reserve</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 July 2017		1,029	(424)	3,160	3,765
Profit for the year		-	-	1,975	1,975
Net movement on hedges, net of tax		-	1,163	-	1,163
Profit and total comprehensive income		-	1,163	1,975	3,138
Share based payments	22	-	-	38	38
Exercise of share options		-	-	(39)	(39)
Equity dividends paid	10	-	-	(2,100)	(2,100)
At 30 June 2018		1,029	739	3,034	4,802
Profit for the year		-	-	564	564
Net movement on hedges, net of tax		-	(521)	-	(521)
Profit and total comprehensive income		-	(521)	564	43
Share based payments	22	-	-	(4)	(4)
Equity dividends paid	10	-	-	(500)	(500)
At 29 June 2019		1,029	218	3,094	4,341

Balance sheet

as at 29 June 2019

	Notes	2019 £000	2018 £000
Assets			
Non-current assets			
Tangible assets	11	21,494	21,508
Debtors: amounts due after one year	15	47	405
Investments	12	5,375	5,375
		<u>26,916</u>	<u>27,288</u>
Current assets			
Inventories	14	279	268
Debtors: amounts due within one year	15	5,709	4,302
Cash at bank		265	353
		<u>6,253</u>	<u>4,923</u>
Total assets		<u>33,169</u>	<u>32,211</u>
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	16	(26,446)	(23,667)
Current tax liabilities	9	(36)	(757)
Deferred tax liabilities	9	(42)	-
		<u>(26,524)</u>	<u>(24,424)</u>
Net current liabilities		<u>(20,271)</u>	<u>(19,502)</u>
Total assets less current liabilities		<u>6,645</u>	<u>7,786</u>
Non-current liabilities			
Deferred tax liabilities	9	(1,252)	(2,061)
Provisions	17	(1,052)	(924)
		<u>(2,304)</u>	<u>(2,985)</u>
Total liabilities		<u>(28,828)</u>	<u>(27,410)</u>
Net assets		<u>4,341</u>	<u>4,802</u>
Capital and reserves			
Share capital	21	1,029	1,029
Hedging Reserve	23	218	739
Retained earnings		3,094	3,034
Total equity		<u>4,341</u>	<u>4,802</u>

The financial statements were approved for issue by the board of directors and signed on their behalf by:



E Brian
Director
20 November 2019

Notes to the financial statements

for the year ended 29 June 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of The City of Oxford Motor Services Limited (the “Company”) for the year ended 29 June 2019 were authorised for issue by the board of directors on 20 November 2019 and the balance sheet was signed on the board’s behalf by E Brian. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company’s registered office is shown on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, The Go-Ahead Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of The Go-Ahead Group plc are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and are available to the public and may be obtained from Companies House, Cardiff and The Go-Ahead Group plc website.

The Company has taken advantage of the exemption provided under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of The Go-Ahead Group plc and its subsidiary undertakings are included in the consolidated financial statements of that company for the year ended 29 June 2019.

The financial statements have been prepared under historical cost convention, as modified by their fair value of financial instruments. The presentation and functional currency used is sterling and amounts have been presented in round thousands (“£’000”).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*
- the requirements in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
 - a) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - b) paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 111 and 134 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirement of paragraph 17 of IAS 24 *Related Party Transactions*;
- the requirements of IAS 24 *Related Party Transactions* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, B67 of IFRS 3 *Business Combinations*;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*; and

2.1 Basis of preparation (continued)

- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 29 June 2019:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 40 (amendments) Transfers of Investment Property
- IFRIC 22 Foreign Currency and Advance Consideration

IFRS 9 and IFRS 15 came into effect on 1 January 2018 and have been applied by the Company for the first time in the current year. The nature and effect of the changes from adopting these new accounting standards are described below. The other standards and interpretations also apply for the first time in the current year, but their adoption has not had any significant impact on the financial statements.

IFRS 9 Financial instruments

IFRS 9 is split into three areas: classification and measurement of financial assets and liabilities, impairment of financial assets and hedging. The classification and measurement of the Company's financial assets and liabilities has not changed under the new standard. IFRS 9 states that impairment provisions should be based on expected credit losses rather than incurred credit losses and the impact of this change in accounting policy is not material to the Company. The Company has also applied the standard on its hedging instruments, which comprise fuel derivatives; again there is no impact and the Company's hedging instruments continue to be effective and qualify as continuing hedges under IFRS 9.

The increased disclosure requirements of IFRS 9 have been reflected in these financial statements. The Company has applied the new rules prospectively from 1 July 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes the principles that an entity is required to apply regarding the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with a customer. The new model is based on a five-step approach which identifies whether, how much and when revenue is recognised.

The standard has been applied prospectively from 1 July 2018, the adoption of the standard has not had a material impact on the Company's revenue recognition for the period and no adjustments were required to opening retained earnings. The disclosure requirements of IFRS 15 are set out in note 3 and the accounting policies in respect of each revenue stream are outlined in the revenue recognition policy.

Other new standards

Adoption of the other standards and interpretations had no material impact on the Company's financial position or related performance.

2.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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

Notes to the financial statements

for the year ended 29 June 2019

2.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (as detailed below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- **Uninsured liabilities**

The measurement of uninsured liabilities is based on an assessment provided by external advisors of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group, as detailed in note 17.

Key sources of estimation uncertainty

In the director's view, there are no key sources of estimation uncertainty that could have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year.

2.3 Significant accounting policies

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

The Company has net current liabilities of £20,271,000, including net amounts due to other Group undertakings of £20,853,000. The Company is dependent on continuing financial support from its ultimate parent undertaking.

The directors have received confirmation from the Company's ultimate parent undertaking that the necessary financial support will continue to be available to the Company for the foreseeable future and, in particular, for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors of the Company believe that it is appropriate to prepare the financial statements on a going concern basis.

Revenue

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue comprises revenue from bus transport services in the United Kingdom.

Revenue principally comprises amounts receivable from ticket sales, concessionary fare schemes and third party contracts. Concessionary revenues are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Contract revenues are recognised as the services are provided.

Other Operating Income

Other operating income comprises commissions earned on sales of tickets for third party services made at Company outlets. Amounts are shown excluding value added tax. Income is recognised as sales are made.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and equipment	- 3 to 10 years
Rolling stock	- 8 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2.3 Significant accounting policies (continued)

Investments

Investments are stated at cost, less any provision for impairment.

Intangible assets

Intangible assets are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses (including goodwill impairment) of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Goodwill impairment losses are not reversed. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Inventories

Inventories of fuel and engineering spares are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale. Inventory is calculated using the first in first out method (FIFO).

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the Income Statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the Income Statement.

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2.3 Significant accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease agreements

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Insurance

The Company limits its exposure to the cost of motor, employer and public liability claims through third party insurance policies. These provide individual claim cover subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An amount is recognised within Provisions for liabilities for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this liability is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but have not yet been reported to the Company.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in operating costs within the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Financial assets and derivatives

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.3 Significant accounting policies (continued)

Financial assets and derivatives

The Company uses derivatives to hedge its risks associated with fuel price fluctuations, and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Share-based payment transactions

The Company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options are granted to employees (including directors). The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc ('market conditions').

The cost of options is recognised in the income statement over the period from grant to vesting date on which the relevant employees become fully entitled to the award, with a corresponding increase in reserves. The cumulative cost recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Pensions

The Company is a member of the Go-Ahead Group Pension Scheme operated by The Go-Ahead Group plc for the majority of its employees. The scheme is split into two sections, a defined benefit and a defined contributions section. The defined benefit section is closed to future accrual and therefore no contributions are paid by the Company. The assets and liabilities for the defined benefit section are all held by The Go-Ahead Group plc.

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2.3 Significant accounting policies (continued)

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Revenue

The revenue and profit before tax are attributable to the one principal activity of the Company.

An analysis of revenue by class of business is given below:

	2019 £000	2018 £000
Passenger revenue	36,072	35,933
Contract revenue	4,460	3,843
Other revenue	370	183
	<u>40,902</u>	<u>39,959</u>

An analysis of revenue by geographical market is given below:

	2019 £000	2017 £000
United Kingdom	<u>40,902</u>	<u>39,959</u>

4. Operating costs

	2019 £000	2018 £000
Materials and external charges	12,455	11,243
Staff costs (note 6)	24,848	23,249
Depreciation of tangible fixed assets	3,108	3,131
Other operating income	(347)	(162)
	<u>40,064</u>	<u>37,461</u>

5. Operating profit

This is stated after charging/(crediting):

	2019 £000	2018 £000
Auditor's remuneration- audit fee for the audit of the financial statements	16	15
Depreciation of owned fixed assets	3,108	3,132
Operating lease rentals – vehicles	524	524
Operating lease rentals – other	38	-
Profit / (loss) on disposal of tangible assets	<u>(212)</u>	<u>-</u>

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6. Staff costs

	2019 £000	2018 £000
Wages and salaries	21,782	20,398
Social security costs	2,205	2,073
Other pension costs – defined contribution	861	740
Share based payment charge	-	38
	<u>24,848</u>	<u>23,249</u>

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

	2019 No.	2018 No.
Administration and supervision	86	55
Maintenance and engineering	33	36
Operations	482	478
	<u>601</u>	<u>569</u>

7. Directors' emoluments

	2019 £000	2018 £000
Aggregate emoluments in respect of qualifying services	<u>384</u>	<u>324</u>
Aggregate of Company contributions paid in respect of money purchase schemes	<u>34</u>	<u>32</u>
	2019 No.	2018 No.
Number of directors accruing benefits under defined benefit schemes	<u>-</u>	<u>-</u>
Number of directors accruing benefits under money purchase schemes	<u>4</u>	<u>3</u>
Number of directors exercising share options during the year	<u>1</u>	<u>1</u>

The amounts in respect of the highest paid director are as follows:

	2019 £000	2018 £000
Emoluments	<u>132</u>	<u>126</u>
Company contributions paid in respect of money purchase schemes	<u>15</u>	<u>14</u>

During the year, the highest paid director exercised no share options (2018: none) and 700 share options (2018: 411 share options) were granted in respect of a deferred share bonus plan (DSBP). See note 22.

Certain directors are also directors of The Go-Ahead Group plc and are remunerated by The Go-Ahead Group plc. It is not practical to allocate their remuneration between their services as directors of The Go-Ahead Group plc and their services to the Group's subsidiaries. For details on the remuneration of the directors of The Go-Ahead Group plc please refer to the Go-Ahead Group plc's consolidated financial statements, available as described in note 24.

8. Interest payable/ (receivable) and similar charges

	2019 £000	2018 £000
Interest payable	174	-
Unwinding of discount factor applied to insurance provisions	11	(4)
	<u>185</u>	<u>(4)</u>

9. Taxation

(a) Tax recognised in the income statement

The tax charge is made up as follows:

	2019 £000	2018 £000
<i>Current tax:</i>		
UK corporation tax in respect of current year	190	757
UK corporation tax in respect of prior year	753	-
Total current tax	<u>943</u>	<u>757</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(57)	(244)
Adjustment in respect of deferred tax of previous years	(597)	-
Effect of rate change on opening deferred tax balance	-	14
Total deferred tax	<u>(654)</u>	<u>(230)</u>
Tax reported in the income statement (note 9(c))	<u>289</u>	<u>527</u>

(b) Income tax recognised in other comprehensive income

	2019 £000	2018 £000
Tax relating to items that may be reclassified	(113)	262
Total tax recognised in comprehensive income	<u>(113)</u>	<u>262</u>

(c) Reconciliation

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 29 June 2019 was 19% (2018: 19%).

A reconciliation of income tax applicable to accounting profit before tax at the statutory tax rates for the years ended 29 June 2019 and 30 June 2018 is as follows:

	2019 £000	2018 £000
Profit before tax	<u>853</u>	<u>2,502</u>
At United Kingdom tax rate of 19% (2018: 19%)	162	475
Expenses not deductible for tax purposes	2	9
Differences between deferred tax and corporation tax rates	7	29
Adjustment in respect of current tax in prior periods	753	-
Adjustment in respect of deferred tax in prior periods	(597)	-
Effect of rate change on opening deferred tax balance	-	14
Other timing differences	(38)	-
Total reported in the income statement (note 9(a))	<u>289</u>	<u>527</u>

9. Taxation (continued)

(d) Current tax liabilities

	2019 £000	2018 £000
Current tax liability at start of year	757	389
Corporation tax reported in income statement (note 9(a))	943	757
Paid in the year	(1,664)	(389)
Current tax liability at end of year	<u>36</u>	<u>757</u>

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2019 £000	2018 £000
<i>Deferred tax liability</i>		
Accelerated capital allowances	(1,244)	(1,898)
On cashflow hedges	(50)	(163)
Provision for deferred taxation	<u>(1,294)</u>	<u>(2,061)</u>
<i>Deferred tax asset</i>		
On cashflow hedges	-	-
Deferred tax asset	<u>-</u>	<u>-</u>

The movements in deferred tax in the income statement and in equity are as follows:

	1 July 2017 £000	Recognised in income £000	Recognised in equity £000	30 June 2018 £000
Accelerated capital allowances	(2,127)	229	-	(1,898)
On cashflow hedges	99	-	(262)	(163)
	<u>(2,028)</u>	<u>229</u>	<u>(262)</u>	<u>(2,061)</u>

	30 June 2018 £000	Recognised in income £000	Recognised in equity £000	29 June 2019 £000
Accelerated capital allowances	(1,898)	654	-	(1,244)
On cashflow hedges	(163)	-	113	(50)
	<u>(2,061)</u>	<u>654</u>	<u>113</u>	<u>(1,294)</u>

(f) Factors that may affect future tax charge

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19% therefore applies to the current tax charge arising during the year ended 29 June 2019.

In addition to the change in rate of UK corporation tax identified above, a further reduction in the rate to 17% from 1 April 2020 was substantively enacted prior to the balance sheet date and has been applied where applicable to the Company's deferred tax balance at the balance sheet date.

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10. Dividends

	2019 £000	2018 £000
Paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019 48.6p per share (2018: 2.04p per share)	500	2,100

There were no dividends proposed as at 29 June 2019.

11. Tangible fixed assets

	<i>Plant & Equipment £000</i>	<i>Rolling Stock £000</i>	<i>Total £000</i>
Cost:			
At 1 July 2018	4,719	33,842	38,561
Additions	845	2,653	3,498
Disposals	-	(1,566)	(1,566)
Intercompany transfers	(13)	(407)	(420)
At 29 June 2019	5,551	34,522	40,073
Depreciation:			
At 1 July 2018	3,484	13,570	17,054
Provided during the year	354	2,754	3,108
Impairments	-	-	-
Disposals	-	(1,235)	(1,235)
Intercompany transfers	(13)	(335)	(348)
At 29 June 2019	3,825	14,754	18,579
Net book value			
At 29 June 2019	1,726	19,768	21,494
At 30 June 2018	1,235	20,272	21,507

Capital commitments

	2019 £000	2018 £000
Contracted but not provided for in the financial statements	177	1,564

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12. Investments

	<i>Total £000</i>
Cost:	
At 1 July 2018	5,375
Acquisitions	-
At 29 June 2019	<u>5,375</u>

Details of the investments are listed below:

<i>Company</i>	<i>Shares held</i>	<i>Shareholding</i>	<i>Principal activity</i>
Go-Ahead Finance Company	"H" ordinary	10%	Dormant
Tom Tappin Limited	Ordinary	100%	Bus sightseeing tours

On 7th December 2017 the company acquired 100% of the share capital of Tom Tappin Limited. The principal activity of the company is the operation of Sightseeing Bus Tours in Oxford City. All investments are held directly.

The Company directly holds 10 £1 "H" ordinary shares in Go-Ahead Finance Company. This represents 10% of the company's issued ordinary share capital. The company is registered in the United Kingdom as an unlimited liability company.

All subsidiaries are incorporated in the United Kingdom. The registered office of all subsidiaries is 3rd Floor, 41-51 Grey Street, Newcastle-upon-Tyne, NE1 6EE. The dormant company listed above has taken advantage of the UK Companies Act 2006, S480 exemption from audit.

13. Investment income

	<i>2019 £000</i>	<i>2018 £000</i>
Income from investments	<u>200</u>	<u>-</u>

14. Inventories

	<i>2019 £000</i>	<i>2018 £000</i>
Raw materials and consumables	<u>279</u>	<u>268</u>

The amount of any write down of inventory recognised as an expense during the year is immaterial.

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15. Debtors: amounts due within one year

	2019 £000	2018 £000
<i>Amounts due within one year</i>		
Trade debtors	1,566	1,169
Prepayments	586	239
Accrued Income	2,647	1,816
Other debtors	64	62
VAT	625	518
Other financial assets (note 23)	221	498
	<u>5,709</u>	<u>4,302</u>
<i>Amounts due after one year</i>		
Other financial assets (note 23)	<u>47</u>	<u>405</u>

During the financial year £285,000 (2018: £Nil) was recognised in respect of impairment losses arising from contracts with customers.

Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers.

The credit risk associated with the Company's trade and other receivables and the impact of the adoption of IFRS 9 is explained in the Strategic Report.

16. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	1,377	465
Other taxation and social security	613	578
Amounts due to Group undertakings	20,853	19,385
Other creditors	40	38
Accruals	1,372	1,417
Deferred income	2,191	1,784
	<u>26,446</u>	<u>23,667</u>

Amounts owed to Group undertakings are repayable on demand and non-interest bearing.

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

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17. Provisions

	<i>Uninsured claims</i> £000
At 1 July 2018	924
Provided in year	556
Utilised	(446)
Released	12
Unwinding of discounting	6
At 29 June 2019	<u>1,052</u>

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within the next six years.

Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next twelve months.

18. Pension commitments

The Company participates in both a defined contribution scheme and a defined benefit scheme:

Defined contribution:

During the year ended 29 June 2019, the Company participated in The Go-Ahead Group Pension Plan (Go-Ahead Plan). The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also defined contribution. The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £577,000 (2018: £584,000), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £284,000 (2018: £156,000), being the contributions paid and payable.

Defined benefit:

During the year to 29 June 2019, the Company participated in a scheme which is part of The Go-Ahead Group Pension Plan (Go-Ahead Plan).

The defined benefit sections of the Go-Ahead Plan are contracted-out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants and closed to future accrual from 31 March 2014.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (revised).

Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

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18. Pension commitments (continued)

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2015, and the next will have an effective date of 31 March 2018.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

As the scheme is closed for future accrual, no contributions have been made by the Company (2018: £nil). As it is not possible to identify the Company's share of the net assets and liabilities of the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies, and there is no contractual agreement or stated policy for charging to individual Group entities, the assets and liabilities are fully accounted for within the financial statements of The Go-Ahead Group plc. Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of the ultimate parent company, which are available as disclosed in note 24 below.

19. Operating leases commitments

Future minimum rentals payable under non-cancellable operating leases as at 29 June 2019 and 30 June 2018 were as follows:

	2019		2018	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	161	834	101	578
In two to five years	578	1,021	387	1,514
Over five years	188	-	424	-
	<u>927</u>	<u>1,855</u>	<u>912</u>	<u>2,092</u>

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20. Related party transactions

The Company is a 100% subsidiary of The Go-Ahead Group plc. Advantage has been taken of the exemptions in paragraph 8 (k) of Financial Reporting Standard 101 and transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly-owned by such a member, have not been disclosed.

The following shows the amounts due to/from related parties as at the year-end:

	<i>2019</i>	<i>2018</i>
	<i>Group</i>	<i>Group</i>
	<i>subsidiaries</i>	<i>subsidiaries</i>
	<i>£000</i>	<i>£000</i>
Amounts due to related parties	20,853	19,717

L Marion is a non-executive director of The Low Carbon Hub IPS Ltd, a local Industrial and Provident Society. The society owns a solar PV array which has been installed on the roof of the Company's depot premises in Cowley, as part of an innovative community-financed partnership model.

The Company purchases the electricity generated by the solar PV array and used in its operations from the Low Carbon Hub IPS Ltd at a specially discounted rate. During the year, payments of £6,519 (2018: £5,065) were made to the Low Carbon Hub IPS Ltd in respect of this arrangement. The directors consider this to be a fully arms' length agreement.

21. Share capital and reserves

Share capital:

		<i>Allotted, called up and fully paid</i>	
	<i>No.</i>	<i>2019</i>	<i>2018</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	1,028,850	1,029	1,029

Hedging reserve:

The hedging reserve records the movement in value of fuel derivatives, offset by any movements recognised directly in equity.

22. Share-Based Payments

Share Incentive Plan

The Company participates in an HMRC approved share incentive plan, operated by the ultimate parent undertaking, known as The Go-Ahead Group plc Share Incentive Plan (the "SIP"). The SIP is open to all Group employees (including executive directors) who have completed at least six month's service with a Group company at the date they are invited to participate in the plan.

The SIP permits The Go-Ahead Group plc to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for Savings-Related Share Option Scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the group and its operating companies.

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are savings-related options at 29 June 2019 as follows:

Scheme maturity	1 May 2019
Option price (£)	19.11
No. of options unexercised at 29 June 2019	8,914
No. of options exercised during the year	-
No. of options exercisable at 29 June 2019	-

The expense recognised for the scheme during the year to 29 June 2019 was £0 (2018: £22,000).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	No.	2019 WAEP (£)	No.	2018 WAEP (£)
Outstanding at the beginning of the year	8,914	19.11	19,064	18.30
Granted during the year	-	-	-	-
Forfeited during the year	(1,593)	19.11	(8,697)	17.64
Exercised during the year	(834)	19.11	(1,453)	17.34
Outstanding at the end of the year	6,487	19.11	8,914	19.11

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22. Share-Based Payments (continued)

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2018: 0.83 years). These options are exercisable at a weighted average exercise price of £19.11 (2018: £19.11). This represents an exercise price of £19.11 (2018: £19.11).

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three year period.

The expense recognised for the DSBP during the year to 29 June 2019 was £160 (2018: £16,000).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £15.74 (2018: £16.30).

The following table shows the number of share options for the DSBP:

	2019 No.	2018 No.
Outstanding at the beginning of the year	3,377	3,208
Granted during the year	1,032	703
Forfeited during the year	-	-
Exercised during the year	(223)	(534)
Outstanding at the end of the year	<u>4,186</u>	<u>3,377</u>

The weighted average exercise price of options exercised during the year was £15.85 (2018: £16.67).

At the year-end, 1,712 options related to DSBP awards which vested before the year-end but which have not yet been exercised by participants. Of these, 673 options related to the award granted in November 2015 and 1,039 options related to the grant awarded in November 2014. 739 options, relating to the DSBP award granted in November 2016, will be eligible to vest from November 2019 following the end of a three year deferral period.

The year-end weighted average exercise price of the options was £19.72 (2018: £15.88).

The weighted average remaining contractual life of the options was 0.59 years (2018: 0.64 years).

23. Derivatives and Financial Instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Company uses energy derivatives to hedge its risks associated with fuel price fluctuations.

(a) Fair values

The fair value of the Company's financial instruments carried in the financial statements have been reviewed as at 29 June 2019 and 30 June 2018 and are as follows:

	2019 £000	2018 £000
Current assets	221	498
Non-current assets	47	405
Current liabilities	-	-
Non-current liabilities	-	-
Total asset/(liability)	<u>268</u>	<u>903</u>

The fair values shown above have been calculated by discounting cashflows at prevailing interest rates.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 29 June 2019, the Company has used a level 2 valuation technique to determine the fair value of all financial instruments.

During the year ended 29 June 2019, there were no transfers between valuation levels.

(b) Hedging activities

The Company is exposed to commodity price risk as a result of fuel usage. The Company closely monitors fuel prices and uses fuel derivatives to its exposure to increases in fuel prices, when it deems this to be appropriate.

As at 29 June 2019 the Company had derivatives against bus fuel for the three years ending June 2021. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 29 June 2019 the Companies external hedging profile is as follows:

	2020	2021	2022
Actual percentage hedged	100%	50%	25%
Litres hedged (million)	1	1	1
Averages hedged rate (pence per litre)	37	38	39

The changes in the fair values of the fuel derivatives during the year are as follows:

	2019 £000	2018 £000
Changes in fair value of hedged item	635	(71)
Changes in fair value of hedging instrument	(635)	71
Changes in fair value through the hedging reserves (net of tax)	521	58

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24. Ultimate parent company and controlling party

The Company's immediate parent undertaking is Go-Ahead Holding Limited, a company incorporated in England and Wales whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE. In the directors' opinion the Company's ultimate parent company and controlling party is The Go-Ahead Group plc, a company incorporated in England and Wales whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The Go-Ahead Group plc is also the parent undertaking of the Group of undertakings for which Group financial statements are drawn up, and it is also the largest and smallest parent company preparing group financial statements. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff.