

Abellio West London Limited

**Directors' report and financial
statements**

Registered number 689260

31 December 2012



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Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 2012

Principal activity

The principal activity during the year was the provision of passenger bus services in London and Surrey. The Company trades under the name of "Abellio London & Surrey" that includes the company and Abellio London Limited. Further information on passenger bus services is available on www.abellio.co.uk

Review of business and future developments

The business operates in a competitive market that derives a significant part of its turnover through government funding. In addition to the pressure on contract margins, there was a London wide strike and a capped performance bonus for all London operators on Quality Incentive Contracts.

The operating profit of £0.4m compares to a loss of £0.8m in 2011 (excluding the exceptional operating cost of £1.1m for the impairment in the value of unused buses). The Company policy is to lease new and replacement buses where market conditions permit viable rates. The underlying performance of the business was satisfactory.

The Company continued to tender for the operation of more bus routes in London on behalf of London Bus Services Limited, and in Surrey for Surrey County Council. The movement in bus routes from 44 to 53 is representative of the improvement in service performance. This incremental growth will further serve to underpin future financial performance.

The Company embarked on an all-encompassing improvement strategy this year. It is projected that the improvement strategy, when combined with the full year impact of incremental growth in 2012 and further incremental growth in 2013, will deliver positive EBIT in 2013.

The Company's key financial performance indicators during the year were as follows:

		2012	2011	Change
Turnover	£'000	31,883	27,310	4,573
Operating profit/(loss) for the year	£'000	413	(1,899)	2,312
Shareholders' funds	£'000	5,981	5,747	234
Bus routes at year end	Number	53	44	9
Mileage operated	Millions	8.1	6.8	1.3
Average employees	Number	549	517	32
Bus fleet at year end	Number	192	183	9

Following the significant turnaround seen in 2012, efforts in the year ahead will be focused on fully embedding underlying improvements achieved in the key areas of service delivery and business processes.

Further expansion has already been secured with the award of two new Transport for London (TfL) route contracts that commence at the end of June and further opportunities are still available to continue the strategy of filling spare capacity.

Financial results and dividend

The financial results for the year are shown on page 8. Revenue in the year was £31.9m compared to £27.3m in 2011. The profit for the year after taxation amounted to £0.2m compared to a loss of £1.6m in 2011. The directors do not recommend the payment of a dividend (2011: £nil).

Directors' report *(continued)*

Health and Safety

The Company invests in on-bus systems as necessary to meet both its contractual requirements and internal objectives. These systems include CCTV and Genius (that monitors driving standards), and are used to manage driver performance. The Company's fleet is low-floor, easy-access with disabled access ramps.

The Company maintains regular contact with the local police and TfL, and shares CCTV and driver intelligence where appropriate.

All bus routes have nominated drivers to raise any performance or health and safety issues. The Company operates an ongoing training programme.

Environment

The Company is actively combating climate change. The Company implements new ways of making its operations more carbon-efficient, works with government and other third party bodies to help shape lower carbon transport policies, and encourages people to switch to public transport.

Operational review

2012 saw the continued use of New Vision as the prime tool for delivering behavioural change and restructuring of the key Engineering, Operations and Performance functions was concluded in order to fully align the business with a results driven strategy.

Three new, incremental TfL route contracts were started in the first half of the year and the Surrey business was enhanced with the introduction of a bespoke contract to operate school services on behalf of 'The Green Bus' and short-notice takeover of three Surrey County Council routes following the demise of the previous operator.

The Olympic Games generated three opportunities in respect of a contract with LOCOG, enhancements to the core TfL network and a shuttle service for the Heineken Holland House. All were operated with great success and all staff involved performed admirably.

Service performance continued to improve throughout the year, with the culmination of prodigious efforts coming in TfL's Period 8 when the company achieved 1st place in the TfL league table. As a result, the business successfully managed to climb from bottom to top within an 18-month timeframe. Consistently positioning in the top 6 has now been set as a benchmark and outcomes since have consistently fallen within this range.

Employees

In February 2012, the Company retained Investors in People status following a reaccreditation audit.

The Company is a non-discriminatory employer operating an Equal Opportunities & Diversity Policy which aims to eliminate unfair discrimination, harassment, and victimisation and bullying. The Company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Company's recruitment policies are designed to ensure that all applicants are considered fairly for positions within the Company. The Company uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of all matters affecting the business including financial and economic factors which affect the Company's performance and prospects.

Directors' report *(continued)*

Key risks and uncertainties

Key risks are managed by the senior management team and formally reviewed on a quarterly basis. When new risks are identified, they are assessed, assigned an owner and added to the risk register.

The risk register is formally reported and approved by the board, and submitted to the Group's Head of Risk Management and Internal Control. The key risks are:

- 1 Insurance claims and repair costs, the Company continues to develop a wide range of controls that focus on driver behaviour and performance standards
- 2 TfL contract price adjustments that do not match annual cost increases, the Company monitors costs against the relevant indices and engages through the Bus Operators with TfL to highlight and resolve any anomalies
- 3 Acts of terrorism, the Company maintains strong relationships with the police and TfL, and instils a driver awareness mentality
- 4 Industrial Relations, the Company pays attention to establishing a good working relationship with Unite the Union with emphasis on transparency and building a full understanding of the financial performance and the key drivers necessary to achieving long-term stability and sustainability

Directors and their interests

The Directors of the Company during the year ended 31 December 2012 and up to the date of this report are listed below:

D D G Booth
J Edwards (appointed 23 May 2012)
A J Leadbetter (resigned 23 March 2012)
A T Pilbeam (appointed 23 May 2012)
A R Wilson

None of the directors who held office at the end of the financial year had any interest in the shares of the Company at any time during the year.

Under the Company's Articles of Association, the Company provides an indemnity for its directors and officers in accordance with the provision of the Companies Act 2006.

Directors' report *(continued)*

Payment policy

It is not the Company's policy to follow a code of standard payment practice. Payments are made in accordance with terms agreed in advance with each individual supplier. Trade creditor days of the Company were 22 days (2011 29 days) based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by suppliers.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Charitable & political donations

The Company did not make any political donations (2011 £nil) or charitable donations (2011 £100) during the year.

Auditor

KPMG LLP is the appointed auditor for the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A T Pilbeam
Director

18/2/13

301 Camberwell New Road
London
SE5 0TF

2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the 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. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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Neville Street
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United Kingdom

Independent auditor's report to the members of Abellio West London Limited

We have audited the financial statements of Abellio West London Limited for the year ended 31 December 2012 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

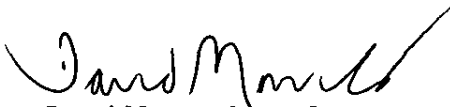
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Abellio West London Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' **remuneration specified by law are not made, or**
- we have not received all the information and explanations we require for our audit



David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
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22 FEBRUARY 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	31,883	27,310
Operating costs		(31,470)	(29,209)
Operating profit / (loss) before exceptional items		413	(788)
Exceptional operating costs		-	(1,111)
Operating profit / (loss)	3	413	(1,899)
Interest receivable and similar income	5	-	50
Interest payable and similar charges	6	(99)	(322)
Profit / (loss) on ordinary activities before taxation		314	(2,171)
Tax on profit / (loss) on ordinary activities	7	(80)	555
Profit / (loss) for the financial year	15	234	(1,616)

The company has no recognised gains or losses other than as shown above and therefore no separate statement of total recognised gains and losses has been prepared

All activities relate to continuing operations

The notes form part of the financial statements

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed assets			
Tangible assets	9	2,521	2,581
Current assets			
Stocks	10	379	423
Debtors	11	4,470	1,891
Cash at bank and in hand		1,441	9,972
Creditors: amounts falling due within one year	12	6,290 (1,938)	12,286 (8,090)
Net current assets		4,352	4,196
Total assets less current liabilities		6,873	6,777
Provisions for liabilities and charges	13	(892)	(1,030)
Net assets		5,981	5,747
Capital and reserves			
Called up share capital	14	805	805
Profit and loss account	15	5,176	4,942
Shareholders' funds	16	5,981	5,747

These financial statements were approved by the board of directors on 18/2/2013 and were signed on its behalf by



A R Wilson
Director

The notes form part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

The company's forecasts and projections, taking account of reasonable changes in trading performance, show that the company should be able to operate within the level of its current facility. Furthermore, Abellio Transport Holdings Limited have indicated that they will give continued financial support to the company for the next twelve months and for the foreseeable future.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Taxation

The charge for taxation is based on the profit for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Leased assets and obligations

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

Pension costs

The Company operates a defined contribution pension scheme. The amounts of contribution are fixed as a percentage of salaries and the Company has no legal or constructive obligation to pay any further contributions. The pension cost charge represents contributions payable in the year.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis on all tangible fixed assets so as to write them down to their estimated residual values as follows

Short leasehold property	- 15 to 40 years (or period of lease if shorter)
Public service vehicles	- 10 to 15 years
Other vehicles	- 5 years
Plant, equipment and other assets	- 3 to 10 years

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Insurance

The Company's policy is to self-insure high frequency claims within the business. To provide protection above these types of losses, the Company purchases insurance cover from a selection of proven and financially strong insurers. These insurance policies provide individual claim cover subject to excess limits and aggregate stop losses for total claims within the excess limits. A provision is made 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.

Turnover

The turnover of the Company consists of contract revenue from TfL and Surrey County Council for the provision of public bus transport, and related activities such as rail replacement services. All revenue is stated net of value added tax where applicable and is wholly derived within the United Kingdom.

Notes (continued)

2 Turnover

	2012 £000	2011 £000
Passenger services	30,725	26,691
Other bus related activities	1,050	525
Rental income	108	94
	<u>31,883</u>	<u>27,310</u>

3 Operating profit / (loss)

	2012 £000	2011 £000
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Operating profit / (loss) is stated after charging

Depreciation and other amounts written off tangible fixed assets		
Owned	815	721
Operating lease rentals		
Bus leases	1,737	1,133
Land and buildings	662	754
Auditor's remuneration		
Audit of these financial statements	9	10
Loss on disposal of fixed assets	29	-
Impairment of public service vehicles	-	1,111
	<u></u>	<u></u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, all of whom were employed to support the provision of bus services was 549 (2011 517), analysed by category, was as follows

	2012	2011
Drivers	470	441
Inspectors	21	16
Engineers	21	22
Other staff	37	38
	<u>549</u>	<u>517</u>

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	16,809	15,949
Social security costs	1,745	1,568
Pension costs	88	64
	<u>18,642</u>	<u>17,581</u>

Directors are employed by and receive their remuneration from Abellio London Limited, or Abellio Holdings Limited, the above payroll costs reflect this remuneration

5 Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from Group companies	-	50
	<u>-</u>	<u>50</u>

6 Interest payable and similar charges

	2012 £000	2011 £000
Interest payable to Group companies	99	297
Other interest payable	-	25
	<u>99</u>	<u>322</u>

Notes (continued)

7 Taxation

	2012 £000	2011 £000
<i>UK corporation tax charge / (credit)</i>	<u>210</u>	<u>(139)</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(125)	(375)
Arising from changes in tax rates	<u>(5)</u>	<u>(41)</u>
Total deferred tax	<u>(130)</u>	<u>(416)</u>
Tax on profit / (loss) on ordinary activities	<u>80</u>	<u>(555)</u>
	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	<u>314</u>	<u>(2,171)</u>
Current tax at 24% (2011 26%)	<u>75</u>	<u>(564)</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	8	5
Short term timing differences	25	30
Capital allowances in excess of depreciation	101	390
Arising from changes in tax rates	<u>1</u>	<u>-</u>
Total	<u>210</u>	<u>(139)</u>

Notes (continued)

8 Operating lease commitments

The Company has operating lease commitments to lease buses and property. Annual commitments are as follows:

	2012 £000	2011 £000
On leases expiring		
Within one year		
- Buses	-	148
- Land and buildings	-	-
Between two and five years		
- Buses	1,501	1,253
- Land and buildings	-	77
After more than five years		
- Land and buildings	634	255
	<u>2,135</u>	<u>1,733</u>

Notes *(continued)*

9 Tangible fixed assets

	Short leasehold property £000	Public service and other vehicles £000	Plant, equipment and other assets £000	Total £000
Cost				
At beginning of year	841	9,255	750	10,846
Additions	9	512	212	733
Disposals	-	(1,281)	-	(1,281)
Transfers in from group undertaking	-	690	-	690
At end of year	850	9,176	962	10,988
Depreciation				
At beginning of year	471	7,246	548	8,265
Charge for year	64	685	66	815
Disposals	-	(1,185)	-	(1,185)
Transfers in from group undertaking	-	572	-	572
At end of year	535	7,318	614	8,467
Net book value				
At 31 December 2012	315	1,858	348	2,521
At 31 December 2011	370	2,009	202	2,581

10 Stocks

	2012 £000	2011 £000
Engineering spare parts and fuel	379	423

There is no material difference between the balance sheet value of stocks and their replacement cost

Notes *(continued)*

11 Debtors

	2012 £000	2011 £000
Trade debtors	247	232
Amounts owed by group undertakings	2,816	-
Other debtors	178	348
Prepayments and accrued income	1,226	1,168
Corporation tax	-	143
Deferred tax (note 13)	3	-
	<u>4,470</u>	<u>1,891</u>

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	617	694
Corporation tax	66	-
Amounts owed to group undertakings	183	6,205
Other creditors	-	4
Accruals and deferred income	1,072	1,187
	<u>1,938</u>	<u>8,090</u>

Notes (continued)

13 Provisions for liabilities and charges

	Deferred tax £000	Insurance provision £000	Total £000
Balance at beginning of year	127	903	1,030
Payments in the year	-	(686)	(686)
Net (release) / charge in the year	(130)	675	545
	<hr/>	<hr/>	<hr/>
Provision at end of year	-	892	892
Debtor at end of year	(3)	-	(3)
	<hr/>	<hr/>	<hr/>

The nature of the provisions is disclosed in the accounting policies note

The deferred tax (debtor) / provision comprises

	2012 £000	2011 £000
Short term timing differences	(122)	(102)
Accelerated capital allowances	119	229
	<hr/>	<hr/>
	(3)	127
	<hr/>	<hr/>

	2012 £000	2011 £000
<i>Deferred tax</i>		
Deferred tax liability at beginning of year	127	543
Deferred tax credit for the year	(130)	(416)
	<hr/>	<hr/>
Deferred tax (asset) / liability at end of year	(3)	127
	<hr/>	<hr/>

14 Called up share capital

	2012 £000	2011 £000
<i>Authorised, issued, called up and fully paid</i>		
805,000 ordinary shares of £1 each	805	805
	<hr/>	<hr/>

15 Reserves

	Profit and loss account £000
At 1 January 2012	4,942
Profit for the year	234
	<hr/>
At 31 December 2012	5,176
	<hr/>

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	5,747	7,363
Profit / (loss) for the year	234	(1,616)
Closing shareholders' funds	<u>5,981</u>	<u>5,747</u>

17 Pension schemes

The total contribution to defined contribution pension schemes in the year was £88,000 (2011 £64,000). There were no outstanding contributions payable to the scheme at 31 December 2012 (2011 £nil).

18 Ultimate parent undertaking

The Company is a 100% subsidiary undertaking of Abellio Transport Holdings Limited, a company incorporated in the UK. The ultimate parent company is NV Nederlandse Spoorwegen, a company incorporated in The Netherlands.

The largest and smallest group in which the results of the Company are consolidated is that headed by Nedrailways BV, a company incorporated in The Netherlands. The consolidated financial statements of this group is available to the public and may be obtained by writing to Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

19 Related party transactions

As 100% of the Company's voting rights are controlled within the group headed by Nedrailways BV, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Nedrailways BV, within which this Company is included, can be obtained from the address given in note 18.

20 Capital commitments

	2012 £000	2011 £000
Authorised and contracted for	<u>48</u>	<u>-</u>