

**Abellio London Limited**

**Report and financial statements**

**Registered number 3786162**

**31 December 2015**

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## Strategic report

### Principal activity

The principal activity during the year was the provision of passenger bus services in London under contract to Transport for London (TfL) and rail replacement coach services for TfL, Abellio Greater Anglia, Northern Rail and Scotrail. The Company trades under the name of "Abellio London & Surrey" that includes the company, Abellio West London Limited and Abellio Surrey Limited. Further information on passenger bus services is available on [www.abellio.co.uk](http://www.abellio.co.uk).

### Business model

The business operates from three depots Battersea, Beddington and Walworth. The depots are leased and it is Company policy to lease buses where market conditions permit viable rates.

Depot management teams across operations and engineering are responsible for the day to day service. The leadership team and central functions are based at Battersea and Walworth. Regular reviews are held to monitor performance, which are supported by key performance indicators. The board sets annual targets that are cascaded down to depots and functions. Functional action plans ensure initiatives are aligned with the targets. Actual performance and update on actions plans are formally tracked by the board each month.

The business recognises the pressure on resources and encourages all employees to find ways of working smarter. Senior managers work with Group colleagues in Areas of Excellence to understand best practice and share expertise on projects.

Governance arrangements are agreed with Abellio Transport Holdings Limited, the Company's immediate parent undertaking, that ensures compliance with the ultimate parent company's requirements. Corporate Audit performs independent internal audits on the business and remedial actions are tracked to conclusion by the board.

### Business review & results

The operating profit of £3.3m compares to £2.8m in 2014. The underlying performance of the business was satisfactory. The business operates in a competitive market that derives a significant part of its turnover through government funding.

Rail replacement work increased by 300% year on year and contributed to the 28% increase in turnover with the full year effect of Northern Rail volumes that started in September 2014 and part year effect of Scotrail volumes that started in April 2015.

### KPIs

The Company continued to tender for the operation of more bus routes in London on behalf of London Bus Services Limited. During the year, the Company won three new routes, extended one route and lost one route. Looking forward, the business has secured two new routes, five extensions and six retentions, with the loss of two routes.

During the year, the Company has been in the top third of the TfL service performance league table for Excess Waiting Time on High Frequency routes. Looking forward, the Company recognises that the significant disruption expected across the network as part of TfL's Road Modernisation Plan and the introduction of a number of Cycle Superhighways. Nevertheless, the Company expects to outperform the network average in 2016.

Road Traffic Collisions (RTC) are measured by the Company and benchmarked by TfL. For the combined TfL business through the Company and Abellio West London Limited, the business experienced 43 RTC per million kilometres compared to the TfL network average of 55.

## Strategic report *(continued)*

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

		2015	2014	Change
Turnover	£'000	132,214	103,496	28,718
Operating profit for the year	£'000	3,297	2,827	469
Shareholders' funds	£'000	8,591	6,725	1,866
Mileage operated	Millions	18.9	16.9	2.0
Average employees	Number	1,794	1,527	267
Bus fleet at year end	Number	548	488	60

### Principal risks and uncertainties

Key risks are managed by the leadership 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.

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. For example, The 3 "Sees" is a core theme of the business that describes the expectations of drivers in respect of a defensive driving strategy.
2. TfL contract price adjustments (CPAs) that do not match annual cost increases; the Company monitors costs against the relevant indices and engages through the Bus Operators Forum with TfL to highlight and resolve any anomalies. Ongoing dialogue is exploring possible options to change the CPA mechanism to mitigate risk for Bus Operators.
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 financial performance and the key drivers necessary to achieving long-term stability and sustainability.

### Future developments

The business has ambitious plans for growth, whether organically or through acquisition. The combined market share of the Company and Abellio West London Limited in London was 7.6% at the end of 2015 (2014: 7.3%). The Company believes it is well placed to take advantage of any growth opportunities.

The business and its stakeholders are acutely aware of the impact on the environment from running passenger bus services. Advances in vehicle technology continue to make buses more environmentally friendly. The Company is well placed to take advantage of new technology.

By order of the board

A T Pilbeam  
Director



301 Camberwell New Road,  
London  
SE5 0TF

27 September 2016

## Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 2015.

### Financial results & dividend

Financial results for the year are shown on page 10. Turnover in the year was £132.2m compared to £103.5m in 2014. The profit for the year after taxation amounted to £2.6m compared to £2.0m in 2014. The directors do not recommend the payment of a dividend (2014: £nil).

### Health & 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.

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.

The Company is Waste Management ISO14001 accredited at the three depots.

### Employees

The Company continues to build on the success of "The Abellio Way" that sets out a consistent way of working that will sustain success. The Abellio Way describes the expected values and behaviours of the people in the Company as Genuine, Professional, Inclusive, and Proactive.

The Company is a non-discriminatory employer operating an Equal Opportunities & Diversity Policy which aims to eliminate unfair discrimination, harassment, 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 influence the Company's performance and prospects.

### Directors and their interests

The Directors of the Company during the year ended 31 December 2015 and up to the date of this report are listed below.

D D G Booth

J Edwards

A T Pilbeam

A R Wilson

A G Worboys (appointed on 19 February 2015)

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)*

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Charitable & political donations**

The Company did not make any political donations (2014: £nil) during the year.

### **Auditor**

In accordance with section 478(2) of the Companies Act 2006, Ernst & Young LLP are deemed to have been reappointed as auditors of the Company.

By order of the board



**A T Pilbeam**  
*Director*

301 Camberwell New Road,  
London  
SE5 0TF

**27** September 2016

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

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

Company law requires the Directors to prepare financial statements for each financial year. 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 Financial Reporting Standard 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABELLIO LONDON LIMITED**

We have audited the financial statements of Abellio London Limited for the year ended 31 December 2015 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2015 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABELLIO 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.



Tehseen Ali (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Manchester  
27 September 2016

**Income statement**  
*for the year ended 31 December 2015*

	Note	2015 £000	Restated 2014 £000
<b>Turnover</b>	2	132,214	103,496
Operating costs		(128,917)	(100,669)
<b>Operating profit</b>	3	3,297	2,827
Interest receivable and similar income	5	21	32
Interest payable and similar charges	6	-	(300)
<b>Profit on ordinary activities before taxation</b>		3,318	2,559
Tax on profit on ordinary activities	7	(767)	(588)
<b>Profit for the year</b>	15	2,551	1,971

**Statement of comprehensive income**  
*for the year ended 31 December 2015*

	2015 £000	Restated 2014 £000
<b>Profit for the financial year</b>	2,551	1,971
Deferred tax on items relating to components of other comprehensive income	182	713
Fuel hedge: losses arising during the year	(867)	(3,395)
<b>Loss on ordinary activities before taxation</b>	(685)	(2,682)
<b>Total comprehensive income/(loss) for the year</b>	1,865	(711)

The hedge reserve is used to record the movement in the value of the fuel hedge liability at each financial year end.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been prepared.

All activities relate to continuing operations.

The notes on pages 12 to 25 form an integral part of these financial statements.

**Statement of financial position**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>Restated</b> <b>2014</b> <b>£000</b>
<b>Non current assets</b>			
Property, plant & equipment	9	15,259	16,451
<b>Current assets</b>			
Inventories	10	689	825
Receivables: amounts falling due within one year	11	8,813	10,512
Cash at bank and in hand		6,761	1,975
		<b>17,263</b>	<b>13,312</b>
<b>Payables: amounts falling due within one year</b>	12	<b>(19,093)</b>	<b>(19,425)</b>
<b>Net current liabilities</b>		<b>(3,683)</b>	<b>(6,113)</b>
<b>Total assets less current liabilities</b>		<b>11,576</b>	<b>10,338</b>
<b>Provisions for liabilities and charges</b>	13	<b>(3,838)</b>	<b>(3,613)</b>
<b>Net assets</b>		<b>8,591</b>	<b>6,725</b>
<b>Capital and reserves</b>			
Called up share capital	14	19,156	19,156
Fuel hedge reserve	16	(3,367)	(2,682)
Profit and loss account		(7,198)	(9,749)
<b>Shareholders' funds</b>	16	<b>8,591</b>	<b>6,725</b>

**Statement of changes in equity**  
*for the year ended 31 December 2015*

	<b>Called up</b> <b>share capital</b> <b>£000</b>	<b>Restated</b> <b>hedge</b> <b>reserve</b> <b>£000</b>	<b>Restated</b> <b>retained</b> <b>earnings</b> <b>£000</b>	<b>Restated</b> <b>total</b> <b>£000</b>
Balance at 1 January 2015	19,156	(2,682)	(9,749)	6,725
Profit for the financial year	-	-	2,551	2,551
Other comprehensive income	-	(685)	-	(685)
<b>Balance at 31 December 2015</b>	<b>19,156</b>	<b>(3,367)</b>	<b>(7,198)</b>	<b>8,591</b>

These financial statements were approved by the board of directors on **27** September 2016 and were signed on its behalf by:

  
**A. R. Wilson**  
Director

Registered number 3786162 / 31 December 2015

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Basis for preparation*

#### *Transition to FRS 101*

For all the periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

The Company transitioned to FRS 101 from UK Generally Accepted Accounting Practice for all periods presented. A transition table showing all adjustments is disclosed in note 21. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 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 requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures 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 ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

## **Notes (continued)**

### **1 Accounting policies (continued)**

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

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

Notwithstanding the net current liabilities position, 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.

#### **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise tax is recognised in the income statement.

#### **Deferred taxation**

Deferred tax is recognised on all temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements :

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforced right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

#### **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.

#### **Foreign exchange**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### **Inventories**

Inventories 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)

#### **Provisions for liabilities**

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

Where the Company 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.

#### **Receivables**

Receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### **Financial instruments**

##### **Financial liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

##### **Derecognition of financial liabilities**

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

## *Notes (continued)*

### **1 Accounting policies (continued)**

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

#### ***Fair value hedges***

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

#### ***Cash flow hedges***

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

The Company uses commodity swap contracts to hedge its exposure to fuel prices.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Property, plant & equipment and depreciation***

Property, plant & equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis on all property, plant & equipment 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 property, plant & equipment***

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 property, plant & equipment 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 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 Analysis of turnover

	2015 £000	2014 £000
Passenger services	122,862	101,316
Other bus related activities	9,352	2,180
	<u>132,214</u>	<u>103,496</u>

### 3 Operating profit

	2015 £000	2014 £000
<i>Operating profit is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	2,586	2,493
Operating lease rentals		
Bus leases	8,931	7,362
Land and buildings	1,598	1,505
Auditor's remuneration		
Audit of these accounts	26	46
Loss/(profit) on disposal of fixed assets	-	(3)
	<u>          </u>	<u>          </u>

### 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 1,794 (2014: 1,527), analysed by category, was as follows:

	2015	2014
Drivers	1,541	1,317
Inspectors	92	60
Engineers	67	71
Other staff	94	79
	<u>1,794</u>	<u>1,527</u>

The aggregate payroll costs of these people were as follows:

	2015 £000	2014 £000
Wages and salaries	59,737	49,777
Social security costs	5,956	5,130
Other pension costs	1,114	982
	<u>66,807</u>	<u>55,889</u>

## Notes (continued)

### 4 Staff numbers and costs (continued)

Of the Directors that were in office during 2015, one was employed by and received their remuneration from Abellio London Limited (2014: zero). The Directors are employed by and receive their remuneration from Abellio Transport Holdings Limited. The remuneration includes costs recharged from Abellio Transport Holdings Limited.

Remuneration of directors:

	2015 £000	2014 £000
Emoluments	260	156
Contributions to money purchase pension scheme	30	12
	<u>290</u>	<u>168</u>
In respect of the highest paid director:		
Emoluments	146	156
Contributions to money purchase pension scheme	24	12
	<u>170</u>	<u>168</u>

During the year one director was a member of the Company's money purchase pension scheme (2014: one).

### 5 Interest receivable and similar income

	2015 £000	2014 £000
Other interest receivable	21	32
	<u>21</u>	<u>32</u>

### 6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable to Group companies	-	300
	<u>-</u>	<u>300</u>

## Notes (continued)

### 7 Taxation

	2015 £000	Restated 2014 £000
<i>UK corporation tax charge</i>		
Current year charge	1,042	827
Adjustment in respect of prior year	(13)	-
	<u>1,029</u>	<u>827</u>
<i>Deferred taxation</i>		
Origination/reversal of timing differences	(262)	(241)
	<u>(262)</u>	<u>(241)</u>
Total deferred tax		
	<u>767</u>	<u>588</u>
Tax on profit on ordinary activities		
	<u>767</u>	<u>588</u>
	2015 £000	2014 £000
<i>Tax reconciliation</i>		
Profit on ordinary activities before tax	3,318	2,559
	<u>688</u>	<u>536</u>
Tax at 20.25% (2014: 21%)		
	<u>688</u>	<u>536</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	21	9
Short term timing differences	98	100
Capital allowances in excess of depreciation	209	183
Arising from changes in tax rates	13	-
Origination/reversal of timing differences	(262)	(241)
	<u>767</u>	<u>588</u>
Total		
	<u>767</u>	<u>588</u>

It was announced in the Summer Finance Bill of 15 July 2015 that the main rate of corporation tax would reduce from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. Finance (No.2) Bill 2015 became substantially enacted on 26 October 2015. As such in accordance with accounting standards, the workings calculate the deferred tax asset at a rate of 18%.

### 8 Operating lease commitments

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

	2015 £000	Restated 2014 £000
On leases expiring:		
Within one year		
Buses	762	152
Between two and five years		
Buses	17,183	21,842
After more than five years		
Land and buildings	23,630	25,417
	<u>41,575</u>	<u>47,411</u>

**Notes** *(continued)*

**9 Property, plant & equipment**

	Short leasehold property £000	Public service and other vehicles £000	Plant, equipment & other assets £000	Total £000
<i>Cost</i>				
At 1 January 2015	8,892	25,468	4,188	38,548
Additions	517	121	756	1,394
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	9,409	25,589	4,944	39,942
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2015	3,065	16,101	2,931	22,097
Charge for the year	511	1,468	607	2,586
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	3,576	17,569	3,538	24,683
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2015	5,833	8,020	1,406	15,259
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	5,827	9,367	1,257	16,451
	<hr/>	<hr/>	<hr/>	<hr/>

**10 Inventories**

	2015 £000	2014 £000
Engineering spare parts and fuel	689	825
	<hr/>	<hr/>

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

## Notes (continued)

### 11 Receivables

	2015 £000	Restated 2014 £000
Trade receivables	1,315	540
Other receivables	1,534	1,104
Amounts owed by group undertakings	-	1,080
Prepayments and accrued income	6,006	7,379
Deferred tax asset	853	409
	<u>8,813</u>	<u>10,512</u>

### Deferred taxation asset

	2015 £000	Restated 2014 £000
Deferred tax asset at the start of the year	409	(572)
Debited in year	444	981
Deferred tax asset at the end of the year	<u>853</u>	<u>409</u>

### The deferred tax asset comprises:

	2015 £000	2014 £000
Short term timing differences	1,482	1,202
Accelerated capital allowances	(629)	(793)
	<u>853</u>	<u>409</u>

### 12 Payables: amounts falling due within one year

	2015 £000	Restated 2014 £000
Accounts payable	1,921	1,603
Other payables	-	3,756
Fuel hedge accrual	4,262	3,395
Corporation Tax	1,885	1,612
Other taxation and social security	2,128	1,936
Amounts owed to group undertakings	3,307	311
Accruals and deferred income	5,590	6,812
	<u>19,093</u>	<u>19,425</u>

## Notes (continued)

### 13 Provisions for liabilities

	Insurance claims £000	Total £000
Balance at 1 January 2015	3,613	3,613
Payments in the year	(2,753)	(2,753)
Net (release) / charge in the year	2,978	2,978
	<hr/>	<hr/>
Balance at 31 December 2015	<b>3,838</b>	<b>3,838</b>
	<hr/>	<hr/>

The nature of the above provisions are described in the Accounting Policies (Note 1). The utilisation of the insurance claims provision is anticipated within five years of the balance sheet date.

### 14 Called up share capital

	2015 £000	2014 £000
<i>Authorised</i>		
20,000,000 Ordinary shares of £1 each	<b>20,000</b>	20,000
	<hr/>	<hr/>
<i>Issued, called up and fully paid</i>		
19,156,000 ordinary shares of £1 each	<b>19,156</b>	19,156
	<hr/>	<hr/>

### 15 Reserves

	Profit and loss account £000
Deficit at 1 January 2015	(12,431)
Profit for the year	2,551
Fuel hedge reserve	(685)
	<hr/>
Deficit at 31 December 2015	<b>(10,565)</b>
	<hr/>

### 16 Reconciliation of movements in shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	6,725	7,436
Profit for the year	2,551	1,971
Movement in fuel hedge reserve	(685)	(2,682)
	<hr/>	<hr/>
Closing shareholders' funds	<b>8,591</b>	6,725
	<hr/>	<hr/>

The hedge reserve is used to record the movement in the value of the fuel hedge liability at each financial year end.

## Notes (continued)

### 17 Pension schemes

The total contribution to defined contribution pension schemes in the year was £1,114,000 (2014: £982,000). There were outstanding contributions payable to the scheme at 31 December 2015 of £518,000 (2014: £299,000).

### 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 101 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.

During the year the Company provided Rail Replacement services to Northern Rail Limited, a company held as a Joint Venture within the group. The value for the services provided by the Company was £9,055,000 (2014: £1,041,000) and the accrued income at 31 December 2015 was £1,290,000 (2014: £1,041,000).

### 20 Capital commitments

	2015 £000	2014 £000
Authorised and contracted for	1,044	350

### 21 Transition to FRS 101

For all the periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

**Notes** *(continued)*

**21 Transition to FRS 101** *(continued)*

	2014	Conversion	2014
	£'000	£'000	£'000
Turnover	103,496	-	103,496
Operating profit for the year	2,827	-	2,827
Other comprehensive income	-	(2,682)	(2,682)
Shareholders' funds	9,407	(2,682)	6,725

**Reconciliation of equity**

	2014 £000
Equity as reported under previous UK GAAP	9,407
Adjustments arising from transition to FRS 101: Fuel Hedge Reserve	(2,682)
Equity reported under FRS 101	<u>6,725</u>



**Notes (continued)**

**21 Transition to FRS 101 (continued)**

**Balance sheet**

*at 31 December 2014*

		<b>UK GAAP £000</b>	<b>Conversion £000</b>	<b>FRS 101 £000</b>
<b>Fixed assets</b>				
Property, plant & equipment		16,451	-	16,451
<b>Current assets</b>				
Inventories		825	-	825
Receivables: amounts falling due within one year	a	10,103	713	10,816
Cash at bank and in hand		1,975	-	1,975
		12,903	713	13,616
<b>Payables: amounts falling due within one year</b>				
Trade payables and other payables		(16,030)	-	(16,030)
Fuel Hedge Accrual	b	-	(3,395)	(3,395)
		(16,030)	(3,395)	(19,425)
<b>Net current liabilities</b>		(3,127)	(2,682)	(5,809)
<b>Total assets less current liabilities</b>		13,324	(2,682)	10,642
<b>Provisions for liabilities and charges</b>		(3,917)	-	(3,917)
<b>Net assets</b>		<b>9,407</b>	<b>(2,682)</b>	<b>6,725</b>
<b>Capital and reserves</b>				
Called up share capital		19,156	-	19,156
Fuel hedge reserve	a,b	-	(2,682)	(2,682)
Profit and loss account		(9,749)	-	(9,749)
<b>Shareholders' funds</b>		<b>9,407</b>	<b>(2,682)</b>	<b>6,725</b>

On transition to FRS 101,

- As a result of the hedge liability being reflected on the balance sheet a temporary difference occurred and a deferred tax asset of £713,000 was recognised at 31 December 2014.
- Previously under UK GAAP the fuel hedge that the Company operated was not reflected on the balance sheet. Under FRS 101 the fuel hedge is reflected on the balance sheet. The hedge value of £3,395,000 was based on the valuation at 31 December 2014