Company Registration No. 02826284

Metroline Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Metroline Limited

Annual Report and Financial Statements for the year ended 31 December 2019

Contents

Metroline Limited

Corporate Information
for the year ended 31 December 2019

Directors

Jit Poh Lim
Ban Seng Yang
Juay Kiat Gan (resigned 27 March 2019)
Rudy Tan Lai Wah (appointed 5 February 2020)
Sean O'Shea

Company Secretary

Ishai Novick

Registered office

ComfortDelGro House
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Cricklewood
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NW2 6JP

Bankers

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1 Churchill Place
London E14 5HP

OCBC Bank
8th Floor, Aldermary House
10-15 Queen Street
London EC4N ITX

DBS Bank Ltd
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Solicitors

Teacher Stern LLP
37-41 Bedford Row
London WC1R 4JH

Actuaries

First Actuarial LLP
2nd Floor
The Square
Basing View
Basingstoke
Hampshire RG21 4EB

Auditor

Deloitte LLP
Statutory Auditor
London EC4A 3TR
United Kingdom

Metroline Limited

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole.

Activities

The Group's principal activity during the year continued to be the provision of road passenger transport services, principally in London through operating tendered Transport for London ("TfL") routes.

Section 172(1) Statement

The Directors of the Company recognise their duty to promote the success of the Company for the benefit of its members as a whole whilst having due regard to the matters set out in section s172(1) of the Companies Act 2006:

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

In providing class leading passenger transport services the Group works closely with a range of stakeholders without which the operating businesses would not succeed including TfL, with whom we work in partnership in delivering passenger transport services within London. Meetings with a range of stakeholders are held regularly at all levels of the company's organisation with decisions taken with reference to their impact on relationships and sustainability.

The passenger transport services the Group provides are key requirements of the local communities that they serve, without which residents would not be able to travel to their places of work or leisure as efficiently and cost effectively. Concessionary pass holders rely on the services we operate to provide a means of reliable transport that helps to support mobility and quality of life.

The Group is also proud of its ongoing investment in its fleet of vehicles improving emission standards as well as enlarging its fleet of Zero Emission buses that are contributing to the Cleaner Air agenda and long term Climate Change mitigation in the communities the operating companies serve. Where appropriate specific reporting on sustainability initiatives have been introduced and developed.

The way the Group deals with employee engagement is dealt with in the Directors report under Employee consultation.

Financial results and future prospects

As shown in the Group's consolidated income statement on page 11, the Group's revenue has decreased in the year by £5.2m (1.4%) and profit after tax decreased by £4.6m (30.7%) as a result of the loss of work during the year and the impact on London Bus Revenue from the same competitive pricing pressures reducing contract pricing on the work that was retained.

The Group's statement of financial position on page 13 and page 14 shows the Group's net asset position at £236m at the end of the year (2018: £227m).

The average staff numbers decreased by 3.4% over the year, averaging 5,255 in 2019 (2018: 5,442) although ending the year lower at 5,100 reflecting the reduction in staff required to operate the lower volume of business.

Metroline Limited

Strategic report (continued)

Financial results and future prospects (continued)

The results of the Group for the year ended 31 December 2019 show a pre-tax profit of £12,431,000 (2018: £18,213,000) and revenue of £370,975,000 (2018: £376,175,000). The Group has net assets of £236,193,000 (2018: £226,592,000).

Future outlook

The Group intends to continue the provision of passenger transport services. Expansion may be achieved through tendering for Transport for London ("TfL") contracts, as they become available, and launching new commercial services and journeys in the unregulated market.

Principal risks and uncertainties

Competitive pressure in the regulated London market is a continuing risk for the Group, which could result in it losing routes to its key competitors. The Group manages this risk by constantly striving to improve the quality of its services, extending route contracts for a further two years, where permissible by TfL and acceptable financial returns can be achieved, and by having a spread of route contracts with varying expiry dates.

The number and size of insurance claims falling within the Company's self-insured excess and policy terms with these risks are managed through passenger and employee safety programs. The group self-insures its fleet of buses against claims in respect of traffic accidents, subject to an overall annual limit to its liability. The directors have recognised as a liability in the accounts the undiscounted financial impact of the expected resolution of any outstanding claims on the basis of information currently available. The vast majority of claims are likely to be settled within five years although in a small number of cases it may take significantly longer for the final amount of liability to be established.

The impact of COVID-19 during the early part of the 2020 is a continuing risk for the Company impacting customers, employees and the economy within which the Company. This is being managed through increased vigilance, enhanced operating procedures and the close working relationships between the Company, its main customer TfL that we operate in partnership with.

The UK withdrew from the European Union on 31 January 2020 and entered a transition period where the rules on trade, travel and business continue to apply until the end of 2020. The terms of the future relationship with the EU are being negotiated and still to be finalised providing a degree of risk and uncertainty to the Company's Supply Chain and Human Resources that is mitigated through planning and risk management.

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Strategic report (continued)

Key Performance Indicators

The overall performance of the business is measured in financial terms in conjunction with non-financial metrics that are used in assessing operational performance.

Financial	**2019**	**2018**
Turnover (£ms)	371.0	376.2
Operating Profit (£ms)	13.2	*18.5*
Operating Profit Margin (%)	3.6%	4.9%

Non-Financial	**2019**	**2018**	**Definition**
Operated Mileage	99.46%	99.44%	Level of mileage under contract delivered
Net Route Awards	-6	+3	New Routes awarded net of routes lost through tendering

The operated mileage performance was primarily in line with prior year.

Five new routes commenced their 5-year term in the year, whilst eleven existing contracts were lost demonstrating the competitive nature of the London tendering market.

Financial risk management

The Group's principal financial assets are bank balances and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. The Group has a small number of trade receivables and as such has a high concentration of credit risk with these customers. However, the Directors feel that the credit risk of the trade receivables is low because the main receivables are United Kingdom government bodies. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Details of complex financial instruments can be found in note 21 of the financial statements.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

For the year ended 31 December 2019, the Group had net current liabilities of £15.2m (2018: £8.3m), and generated net operating cash inflow of £42.5m during the year ended 31 December 2019 (2018: £42.5m). The outbreak of COVID-19 and the subsequent lockdown measures imposed by the UK and other governments as well as the travel and trade restrictions imposed by the UK and other countries in early 2020 have caused disruption to businesses and global economic activity. The situation remains fluid as at the date the financial statements are authorised for issue, due to evolving changes in government policy and business and consumer reactions thereto. To the extent possible given this uncertainty, the directors have considered the impact of COVID-19 on the basis of preparation of the financial statements as a going concern. The Company has received a letter of support from its parent company (Braddell Limited) entity to mitigate, in part, against any potential difficulty in refinancing current debt facilities but has no financial covenants on any debt facilities.

After consideration of the factors noted above, the directors consider that the Company is a going concern including realising its assets and discharging its liabilities in the normal course of business. Please refer to the Note below for further details of the impact of COVID-19 subsequent to year end.

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Strategic report (continued)

Post Balance Sheet Events

The Company considers that the impact of COVID-19 is a non-adjusting post balance date event and accordingly the financial effects of COVID-19 have not been reflected in the Company's financial statements at 31 December 2019.

The vast majority of the Company's revenue pertains to the operation of tendered Transport for London ("TfL") route contracts, where revenue risk sits with TfL and not directly with the Operator. The Company has worked very closely with TfL in providing an appropriate level of service during the COVID-19 outbreak and accordingly, there is only a limited impact to the Company's revenues relating to these contracts to date.

Management has prepared cashflow forecasts reflecting the expected impact of the above based on information available at the date of signing of the financial report. The directors consider that prolonged general economic impacts arising from COVID-19 may have a negative impact on the operations of the Company's activities. This in turn may impact the recoverability of the Company's carrying value of assets going forward. In the unlikely event of a total shutdown of public transport services in London, an adverse impact on the Company's revenue and assets is expected. The Directors expect the economic impact arising from the COVID-19 outbreak to affect the consolidated results of the Group in FY20.

The UK withdrew from the European Union on 31 January 2020 and entered a transition period where the rules on trade, travel and business continue to apply until the end of 2020. The Directors do not expect the economic and social impact of Brexit to have a material impact on the results of the Group in FY20.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Approval

This report was approved by the Board of Directors on 17th July 2020 and signed on its behalf by:

Sean O'Shea
Director
17th July 2020

Metroline Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019. Details of the Group's financial risk management objectives and policies and likely future developments can be found in the Strategic Report respectively and form part of this report by cross-reference.

Environment

Metroline Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

Directors

Details of the current directors are given on page 1. Qualifying third party indemnity insurance was provided to the Directors and Officers of Metroline Limited for the entire period covered by these financial statements by the Company's ultimate parent company (see note 24). This cover has continued to the date of approval of these financial statements.

Disabled employees

The Group's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the company continues and where necessary appropriate training is arranged. It is the Group's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to that of all other employees in similar gradings.

Employee consultation

The Directors and Managers of the Group companies place considerable value on the consultative meetings with employees. Information on matters affecting employees and on various factors affecting the performance of the company is disseminated through meetings, newsletters and training programmes. Employees' representatives are consulted regularly on a wide range of matters affecting employees' current and future interests.

Dividends

The directors do not recommend payment of a dividend (2018: £nil).

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are Directors of the company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s.418(2) of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

Sean O'Shea
Director
17th July 2020

Metroline 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company 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 the parent company 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Metroline Limited

Independent auditor's report to the members of Metroline Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Metroline Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of financial position;
- the company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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 group's or the parent 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.

Independent auditor's report to the members of Metroline Limited (continued)

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.

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 group's and the parent 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 group or the parent 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.

Metroline Limited

Independent auditor's report to the members of Metroline Limited (continued)

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 group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Kevin Thompson

Kevin Thompson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
17 July 2020

Metroline Limited

Consolidated income statement
Year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	3	370,975	376,175
Cost of sales		(329,728)	(329,663)
Gross profit		41,247	46,512
Administrative expenses		(28,090)	(27,984)
Operating profit	5	13,157	18,528
Finance income	6	2,310	2,184
Finance costs	7	(3,036)	(2,499)
Profit before taxation		12,431	18,213
Income tax expense	8	(2,124)	(3,344)
Profit for the year		10,307	14,869
Attributable to: Shareholders of the Company		10,307	14,869

Metroline Limited

Consolidated statement of comprehensive income
Year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit for the year		10,307	14,869
Items that will not be reclassified subsequently to profit or loss:			
Actuarial adjustment on defined benefit pension schemes	22	(1,145)	(3,332)
Deferred tax (charge)/credit on actuarial adjustment	8b,18	(56)	316
		(1,201)	(3,016)
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges	21	596	(459)
Deferred tax (charge)/credit on fair value adjustment on cash flow hedges	8b,18	(101)	78
		495	(381)
Other comprehensive expense for the year		**(706)**	**(3,397)**
Total comprehensive income for the year		**8,383**	**11,472**
Attributable to:			
Shareholders of the Company		8,383	11,472

Metroline Limited

Consolidated statement of financial position
As at 31 December 2019

	Notes	*2019* £'000	*2018* £'000
Assets			
Non-current assets			
Goodwill	9	49,280	49,280
Property, plant and equipment	10	191,406	214,443
Right-of-use assets	10a	61,550	-
Deferred tax assets	18	-	*14*
Retirement benefit asset	22	248	-
Total non-current assets		302,484	263,737
Current assets			
Inventories	12	2,823	2,305
Trade and other receivables	13	37,691	32,546
Cash and cash equivalents		10,197	13,827
Total current assets		50,711	48,678
Total assets		**353,195**	**312,415**

Consolidated statement of financial position (continued)
As at 31 December 2019

Liabilities and equity

	Notes	2019 £'000	2018 £'000
Current liabilities			
Trade and other payables	16	46,327	41,953
Lease liabilities from financial institutions	10a, 14	10,888	6,251
Lease liabilities	10a, 15	2,420	-
Income tax payable		202	1,062
Provision for accident claims	17	6,039	7,741
Total current liabilities		65,876	57,007
Non-current liabilities			
Lease liabilities from financial institutions	10a, 14	30,834	19,860
Lease liabilities	10a, 15	9,870	-
Deferred tax liabilities	18	10,422	8,873
Retirement benefit obligation	22	-	83
Total non-current liabilities		51,126	28,816
Total liabilities		117,002	85,823
Equity			
Issued share capital	19	61,002	61,002
Share premium account		24,272	24,272
Capital redemption reserve		100	100
Revaluation reserve		905	905
Retained earnings		166,387	156,080
Retirement benefit reserve		(16,587)	(15,386)
Cash flow hedging reserve		114	(381)
Equity attributable to shareholders of the Company		236,193	226,592
Total equity		236,193	226,592
Total liabilities and equity		**353,195**	**312,415**

The financial statements of Metroline Limited, registered number 02826284, were approved by the Board of Directors on 14th July 2020.
Signed on behalf of the Board of Directors

Sean O'Shea
Director

Metroline Limited

Consolidated statement of changes in equity
Year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Revaluation reserve £'000	Cash flow hedging reserves £'000	Retirement benefit reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		61,002	24,272	100	905	-	(12,370)	141,211	215,120
Profit for the year		-	-	-	-	-	-	14,869	14,869
Other comprehensive income/(expense)									
Actuarial adjustment on defined benefit pension schemes	22	-	-	-	-	-	(3,332)	-	(3,332)
Deferred tax credit/(charge) on actuarial adjustment	8b, 18	-	-	-	-	-	316	-	316
Fair value adjustment on cash flow hedges	21	-	-	-	-	(459)	-	-	(459)
Deferred tax credit on fair value adjustment on cash flow hedges	8b, 18	-	-	-	-	78	-	-	78
Total other comprehensive expense		-	-	-	-	(381)	(3,016)	-	(3,397)
Total comprehensive (expense)/income for the year		-	-	-	-	(381)	(3,016)	14,869	11,472
Balance at 31 December 2018		61,002	24,272	100	905	(381)	(15,386)	156,080	226,592

Metroline Limited

Consolidated statement of changes in equity (continued)
Year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Revaluation reserve £'000	Cash flow hedging reserves £'000	Retirement benefit reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		61,002	24,272	100	905	(381)	(15,386)	156,080	226,592
Profit for the year		-	-	-	-	-	-	10,307	10,307
Other comprehensive (expense)/income									
Actuarial adjustment on defined benefit pension schemes	22	-	-	-	-	-	(1,145)	-	(1,145)
Deferred tax credit/(charge) on actuarial adjustment	8b, 18	-	-	-	-	-	(56)	-	(56)
Fair value adjustment on cash flow hedges	21	-	-	-	-	596	-	-	596
Deferred tax charge on fair value adjustment on cash flow hedges	8b, 18	-	-	-	-	(101)	-	-	(101)
Total other comprehensive income/(expense)		-	-	-	-	495	(1,201)	-	(706)
Total comprehensive income/(expense) for the year		-	-	-	-	495	(1,201)	10,307	9,601
Balance at 31 December 2019		61,002	24,272	100	905	114	(16,587)	166,387	236,193

Metroline Limited

Company statement of financial position
As at 31 December 2019

Company	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	-	-
Investments	11	101,401	101,401
Deferred tax assets	18	1	2
Total non-current assets		101,402	101,403
Current assets			
Trade and other receivables	13	4,691	5,166
Cash and cash equivalents		844	368
Total current assets		5,535	5,534
Total assets		**106,937**	**106,937**
Liabilities and equity			
Current liabilities			
Trade and other payables	16	5,565	5,565
Total liabilities		5,565	5,565
Equity			
Issued share capital	19	61,002	61,002
Share premium account		24,272	24,272
Capital redemption reserve		100	100
Retained earnings		15,998	15,998
Total equity		101,372	101,372
Total liabilities and equity		**106,937**	**106,937**

No income statement is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006.
The profit for the Company was £nil (2018: £nil).

The financial statements of Metroline Limited, registered number 02826284, were approved by the Board of Directors on 17th July 2020.

Signed on behalf of the Board of Directors

Sean O'Shea
Director

Ishai Novick
Secretary

Metroline Limited

Company statement of changes in equity
Year ended 31 December 2019

Company

	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018 and 1 January 2019	61,002	24,272	100	15,998	101,372
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Balance at 31 December 2018 and 31 December 2019	61,002	24,272	100	15,998	101,372

Metroline Limited

Consolidated statement of cash flows
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Profit before taxation		12,431	18,213
Adjustments for:			
Depreciation of property, plant and equipment	10	23,711	24,061
Depreciation of right-of-use assets	10a	5,826	-
Interest income	6	(2,310)	(2,184)
Finance costs	7	3,036	2,499
Reversal of provision for impairment of property, plant and equipment		(36)	-
Gain on disposal of property, plant and equipment		(109)	(52)
Operating cash flows before movements in working capital		42,549	42,537
Working capital adjustments:			
(Increase)/decrease in inventories		(518)	107
Increase in trade receivables		(58)	(379)
(Increase)/decrease in other receivables and prepayments		(658)	3,714
Decrease in trade and other payables		(693)	(1,399)
Decrease in other liabilities		(2,579)	(6,199)
Increase/(decrease) in working capital – Group undertakings		543	(7,431)
Cash generated from operations		**38,586**	**30,950**
Income tax paid		(1,579)	(3,525)
Net cash from operating activities		**37,007**	**27,425**
Investing activities			
Purchase of property, plant and equipment		(53,024)	(37,645)
Less: Vehicles & equipment purchased under hire purchase arrangements		23,180	15,379
Proceeds from disposal of property, plant and equipment		199	174
Cash payments on purchase of property, plant and equipment		(29,645)	(22,092)
Interest received		82	73
Net cash used in investing activities		**(29,563)**	**(22,019)**
Financing activities			
New loans raised		14,000	49,000
Repayment of borrowings		(14,000)	(49,000)
Principal paid on lease liabilities (2018: principal paid on finance lease)	10a	(10,449)	(4,882)
Interest paid on lease liabilities (2018: interest paid on finance lease)		(593)	(237)
Interest paid on loans and borrowings		(32)	(23)
Net cash flows used in financing activities		**(11,074)**	**(5,142)**
Net (decrease)/increase in cash and cash equivalents		(3,630)	264
Cash and cash equivalents at beginning of year		13,827	13,563
Cash and cash equivalents at end of year		**10,197**	**13,827**

Metroline Limited

Consolidated statement of cash flows (continued)
Year ended 31 December 2019

Net Debt Reconciliation

Net Debt	**2019** **£'000**	**2018** **£'000**
Cash and cash equivalents	10,197	13,827
Borrowings - repayable within one year	-	(6,251)
Borrowings - repayable after one year	-	(19,860)
Lease liabilities - repayable within one year	(13,308)	-
Lease liabilities - repayable after one year	(40,704)	-
Net Debt	(43,815)	(12,284)

Cash and cash equivalents	10,197	13,827
Gross debt - fixed interest rates	(54,012)	(26,111)
Net Debt	*(43,815)*	*(12,284)*

(a) Reconciliation of net cash flow to movement in net debt

	2019 **£'000**	**2018** **£'000**
(Decrease)/increase in cash in the year	(3,630)	264
Payment of lease liabilities	10,449	4,882
Change in net debt resulting from cash flows	6,819	5,146
New lease liabilities (under hire purchase arrangements)	(23,180)	(15,379)
Lease liabilities on adoption of IFRS 16	(15,170)	-
Movement in net debt in the year	(31,531)	(10,233)
Opening net debt	(12,284)	(2,051)
Closing net debt	(43,815)	(12,284)

(b) Analysis of net debt

	2018 **£'000**	**Cash flow** **£'000**	**Other non-cash changes** **£'000**	**2019** **£'000**
Cash and cash equivalents	13,827	(3,630)	-	10,197
Lease liabilities	(26,111)	10,449	(38,350)	(54,012)
Total	*(12,284)*	*6,819*	*(38,350)*	*(43,815)*

Metroline Limited

Notes to the financial statements
Year ended 31 December 2019

1. General information

Metroline Limited (Registration no. 02826284) is a private company limited by shares registered in England and Wales and incorporated in the United Kingdom with registered office at ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP. Metroline Limited is a subsidiary of Braddell Limited, an investment holding company for its parent company ComfortDelGro Corporation Limited in Singapore. Information on its ultimate parent is presented in note 24.

The operating companies provide road passenger transport services, principally London through operating tendered Transport for London ("TfL") routes.

The consolidated financial statements of the Group for the year ended 31 December 2019 (including comparatives) and the statement of financial position and statement of changes in equity for the Company were approved and authorised for issue by the board of directors on   July 2020.

2. Summary of significant accounting policies

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements. The directors are satisfied with the results and believe that the Group is well placed to manage its business risks successfully.

In particular, although the Group is exposed to wider macroeconomic events, the directors have given due consideration to the fact that the Group benefits from strong, predictable cash flows from the long-term contracts with government bodies which provide a substantial majority of its revenues. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to continue to operate within the level of the resources available to it.

As noted in the Strategic Report the Company considers that the prolonged general economic effects of the outbreak of COVID-19 is likely to have a negative impact on the operations of the business and its financial performance in FY20.

Following the general election, Parliament ratified the withdrawal agreement, and the UK left the European Union on 31 January 2020 ("Brexit"). This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The Board has reviewed the impact of the various potential outcomes of Brexit on the Group, and although the final outcome is not yet clear, we have considered the impact of labour mobility, our client base, regulatory issues, taxation, the potential for more complex administration matters and foreign exchange implications. In particular the Board have considered the impact on our future cash flow forecasts for the purposes of assessing the Group's viability and its status as a going concern. Due to the nature of the business and our group structure and operating model, based on the information available at the date of approval of these financial statements, the Board believes that the Group will not be materially impacted by Brexit, irrespective of the final form this takes.

Management has prepared cashflow forecasts reflecting the expected impact of the above matters based on information available at the date of signing of the financial report and believes that the Group has adequate resources to continue in operational existence for the foreseeable future. This has been assessed by review of forecasts that take into account the negative impacts on revenue and use of available government support mechanisms that help mitigate cash outflows. Management expects to have sufficient cash resources and available borrowing facilities from existing banking relationships. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In addition the Company's Parent Company, Braddell Limited has provided a letter of support as further assurance over the availability of resources and sustainability of the Company should any of the existing financial facilities remain uncommitted.

2. Summary of significant accounting policies (continued)

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on a historical cost basis, except for hedging instruments that have been measured at fair value. The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The Company's individual financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework". As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Company's consolidated financial statements.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2019. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business combinations and goodwill

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred and b) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

The cost of goodwill in the financial statements held at date of transition has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS. Goodwill is tested for impairment at each reporting date and provision is made for any impairment identified.

2. *Summary of significant accounting policies (continued)*

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and provision for impairment.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows:

Freehold buildings	50 years
Buses	12 to 14 years
Plant and machinery	1 to 10 years
Leasehold land and leasehold improvements	Over the life of the lease

Investments

Investments held as non-current assets are stated at cost less provision for any impairment in value.

Inventories

Inventories consist primarily of materials required for the operation and maintenance of buses. These materials are valued on a first in first out basis at the lower of cost and net realisable value to the group.

Taxation

Income tax expense in profit or loss comprises the sum of current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For explanation of the transitional requirements that were applied as at 1 January 2019, see note 2 – 'IFRS 16: Leases' below.

Retirement benefit obligations

The Group operates two defined benefit pension schemes for certain employees, the assets of which are held in trustee administered funds. The related pension costs are assessed in accordance with the advice of a qualified actuary on the basis of final pensionable earnings. The regular cost is attributed to individual periods using the projected unit credit method. The schemes are now closed to new members.

The differences between the fair value of the assets held in the Group's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using projected unit method are recognised in the Group's statement of financial position as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to profit or loss or the statement of other comprehensive income in accordance with IAS 19 'Employee Benefits'.

Scheme administration expenses are included within operating profit. Net interest expense or income is calculated by applying the discount rate to the net defined benefit asset or liability and included within net finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Actuarial gains and losses include the difference between the actual return on assets (net of investment administration costs and taxes, such as amounts levied by the UK Pension Protection Fund) and the discount rates applied to the assets. Mortality rates are considered when retirement benefit obligations are calculated.

The Group also operates a defined contribution pension scheme, the assets of which are held separately from those of the Group and are managed by a third party. Contributions are charged in profit and loss as they become payable in accordance with the rules of the scheme.

Insurance and provision for accident claims

Insurance costs include insurance premiums which are recognised in profit and loss over the period to which they relate. Included in provisions is an estimate of the liability for uninsured retained risks on unpaid claims arising out of events occurring up to the statement of financial position date.

2. **Summary of significant accounting policies (continued)**

Revenue

The Group follows the principles of IFRS 15 in determining appropriate revenue recognition policies. Revenue represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the statement of financial position date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of current liabilities.

Revenue from services is recognised following the principles outlined in IFRS 15's five step model as detailed below.

- Identifying the contract.

Upon acceptance of a proposal, a contract is entered into, to include details on the scope of work and each party's rights and obligations regarding the transfer of the service as well as payment terms for the service being transferred.

- Identifying the performance obligations in the contract

Key deliverables are stated in the contract and monitored on an ongoing basis against the agreed delivery timetable. The contract states our obligations to the client. In assessing performance obligations, consideration is given as to whether each identified key deliverable is a separate performance obligation, or a series of services that are substantially the same and have the same pattern of transfer to the customer so as to form one overall performance obligation. Where contracts have multiple components to be delivered, those components may work in conjunction with one another and therefore the client may be unable to benefit from each component individually. In the instances where there are two distinct groups of components that can be delivered and measured separately, we would recognise as two separate performance obligations.

- Determining the transaction price

Each contract has a section describing fees and will state the invoicing profile (i.e. the value and frequency) of the invoices to be raised. The transaction price is developed during the proposal process through establishing the scope of the work and the resources required to deliver that work. Upon acceptance the total fee value is stated in the contract and is also broken down into an invoicing schedule. For all variable consideration we consider revenue recognition based on the most likely amount we will receive. Invoicing is generally fortnightly and is in general designed to reflect the progress made on projects.

- Allocating the transaction price to separate performance obligations

In instances where more than one performance obligation is identified in the contract these contracts typically include separately agreed fees for each performance obligation. Allocation of the transaction price is therefore straightforward.

Notes to the financial statements
Year ended 31 December 2019

2. **Summary of significant accounting policies (continued)**

Revenue (continued)

- Recognising revenue as performance obligations are satisfied

Revenue is recognised over time as the work is performed. Performance of the service does not create an asset with an alternative use, and we have enforceable right to payment for work performed to date. Throughout the delivery of a project the benefits to the client are delivered incrementally. For all variable considerations revenue recognised is on a monthly basis based on the best estimate of the performance obligation in the month.

Revenue is recognised on a fortnightly basis in accordance with services delivered in the period. For all variable consideration revenue is recognised monthly based on the likely amount expected to be received at the end of the contract year.

Given that the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer completed to date and variable consideration recognised is for not greater than 12 months, the practical expedient not to disclose information about transaction price allocated to remaining performance obligations has been applied. The Group has also applied the practical expedient not to disclose the incremental costs of obtaining a contract.

Management have assessed the revenue recognition policy in line with the specified 5 step model and have identified that no changes in the revenue recognition criteria are required under IFRS 15. Management continue to closely monitor each new contract to ensure that the 5 step approach is applied.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. All exchange differences are included in profit and loss.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a principal party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash in deposit accounts which require less than three months' notice for the Company to access.

Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded when the proceeds are received net of direct issue costs.

2. *Summary of significant accounting policies (continued)*

Financial instruments (continued)

Hedging instruments and hedge accounting

The Group uses hedging instruments to manage its exposure to fuel price fluctuation, foreign currency movements and interest rate risks. The use of hedging instruments is governed by the ultimate parent company's policies which provide written principles on the use of financial instruments consistent with its risk management strategy (refer to note 21).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates its hedging instruments as cash flow hedges.

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of hedging instrument is classified as a non-current asset or non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. Hedges of foreign currency risk for future purchases of goods are designated as cash flow hedges. Hedges of fuel price risk for future purchases of goods are also designated as cash flow hedges.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 21 contains details of the fair value of the hedging instruments.

Cash flow hedge

The effective portion of changes in the fair value of the hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts recognised in other comprehensive income are taken to profit or loss when the hedged item is realised. The cash flow hedging reserves reported in the consolidated statement of changes in equity represent the fair value of the hedging instruments net of deferred tax.

2. Summary of significant accounting policies (continued)

Impairment review of goodwill, other intangibles and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Adoption of new and revised standards

In the current year, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019 that are relevant to its operations. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements for the current or prior years, except as disclosed below.

IFRS 16: Leases

The Group adopted IFRS 16 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of IFRS 16, and therefore the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application i.e. 1 January 2019 and recognised in the opening balances for right-of-use assets and lease liabilities (see note 10a).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

2. Summary of significant accounting policies (continued)

IFRS 16: Leases (continued)

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Adjustments	31 December 2018 As originally Presented	IFRS 16	1 January 2019
Assets		**£'000**	**£'000**	**£'000**
Property, plant and equipment	a	214,443	(29,023)	185,420
Right-of-use assets	b	-	44,193	44,193
Liabilities				
Borrowings	c	26,111	(26,111)	-
Lease liabilities from financial institutions	d	-	26,111	26,111
Lease liabilities	d	-	15,170	15,170

(a) Property, plant and equipment were also adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by £31,374,000 and accumulative depreciation by £2,351,000 for a net adjustment of £29,023,000 (see note 10).

(b) The adjustment to right-of-use assets is as follows:

	£'000
Adjustment noted in (a) - finance type leases	29,023
Operating type leases	15,170
Right-of-use assets	44,193

(c) Borrowings were adjusted to reclassify leases previously classified as finance type to lease liabilities.

(d) The following table shows the operating lease commitments disclosed applying IFRS 16 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application:

	2019 £'000
Operating lease commitments disclosed as at 31 December 2018	17,405
Less: Short-term leases recognised on a straight-line basis as expense	(197)
Less: Leases of low value assets recognised on a straight-line basis as expense	-
	17,208
Discounted using the Group's weighted average incremental borrowing rate of 1.64%	(2,637)
Add: Rent review adjustment	599
Add: Finance lease liabilities recognised as at 31 December 2018	26,111
Lease liability recognised as at 1 January 2019	41,281

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

2. **Summary of significant accounting policies (continued)**

IFRS 16: Leases (continued)

Leases (Before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Profit or Loss.

Rentals payable under operating leases (net of any incentive received from lessor) are charged to Profit or Loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Leases (After 1 January 2019)

The Group as lessee

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2. **Summary of significant accounting policies (continued)**

IFRS 16: Leases (continued)

Leases (After 1 January 2019) (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented as a separate line in the statement of financial position.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required 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. There are no key sources of estimation uncertainty specific to the Company.

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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. **Summary of significant accounting policies (continued)**

Quality Incentive Contract revenue recognition

A portion of the Group's revenue for London bus services is variable based on the performance of the Group's bus services against certain criteria, such as punctuality, reliability and other factors determined by Transport for London. The Group is required to estimate the amount of this variable Quality Incentive Contract revenue based on the performance of its London bus services against these criteria. For the year ended 31st December 2019 this was £10.8m (2018 £11.2m)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and long term growth rates in order to calculate present value. Details of the carrying amount of goodwill and of the value in use calculations are set out in note 9.

Measurement of provision for accident claims

The estimation of the self-insurance provision is based on an assessment of the expected settlement on known claims together with an estimate of settlements for incidents which have occurred but not been reported before the reporting date. The Group makes assumptions concerning these judgemental matters based on its Claims team's past experience of similar incidents as well as the advice of its lawyers and insurers. Details of the provision for accident claims are given in note 17.

Measurement of post-employment benefit liabilities

The present value of the defined benefit pension schemes' liabilities is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations. Further details of the techniques applied, inputs used and the sensitivity to changes of the net pension liabilities are given in note 22 to the financial statements.

3. **Revenue and operating profit**

Revenue and operating profit are attributable to the Group's principal activity and arise entirely in the United Kingdom.

	2019 £'000	2018 £'000
Bus revenue	370,975	376,175
Finance income (note 6)	2,310	2,184
Total revenue	373,285	378,359
Operating profit	13,157	18,528

4. Information regarding directors and employees

Group	2019 £'000	2018 £'000
Directors' remuneration		
Short-term employee benefits	218	633
Termination benefits	-	53
Company contributions to money purchase pension schemes	-	29
	218	715
Highest paid director		
Short-term employee benefits	178	560
Termination benefits	-	53
Company contributions to money purchase pension schemes	-	29

	Group 2019 No.	2018 No.
Average monthly number of persons employed (including directors)		
Operating staff	4,372	4,556
Engineering	293	290
Administration	590	596
	5,255	5,442

	Group 2019 £'000	2018 £'000
Staff costs during the year (including directors)		
Wages and salaries	209,852	209,426
Social security costs	21,450	21,451
Pension costs	5,372	4,761
	236,674	235,638

During the year some of the directors received emoluments as executives including salaries, benefits in kind and contributions for pensions and other related payments from ComfortDelGro Corporation Limited, the ultimate parent undertaking.

Amounts paid to these directors are disclosed within the ComfortDelGro Corporation Limited financial statements.

No directors (2018: nil) had retirement benefits accruing under a defined benefit pension scheme.

One director also receives remuneration for his services as a director of fellow subsidiary undertakings of ComfortDelGro Corporation Limited from those undertakings as disclosed in their financial statements.

There has been no share option or long-term incentive scheme available for the directors in the current year.

No directors had company contributions to money purchase pension schemes (2018: one)

No employees (2018: nil) were employed by the Company.

5. Group operating profit

Group operating profit is stated after charging/(crediting):	**2019 £'000**	**2018 £'000**
Depreciation:		
Assets owned	23,711	22,160
Assets held under hire purchase contracts	2,848	1,901
Depreciation charge of right-of-use assets:		
Buildings	1,941	-
Buses	1,037	-
Rentals under operating leases:		
Land and buildings	1,574	2,500
Buses	766	2,093
Plant and machinery	146	148
Reversal of provision for impairment of property, plant and equipment – owned assets	(36)	-
Gain on disposal of property, plant and equipment	(109)	(52)

Auditor's remuneration	**2019 £'000**	**2018 £'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	82	77
Total audit fees	82	77
Tax compliance fees	29	29
Total fees	111	106

6. Finance income

	2019 £'000	**2018 £'000**
Bank interest	82	72
Interest on pension scheme assets (note 22 (vi))	2,228	2,111
Other interest	-	1
	2,310	2,184

7. Finance costs

	2019 £'000	**2018 £'000**
Interest on pension scheme liabilities (note 22 (v))	2,211	2,050
Bank loans	32	24
Finance leases and hire purchase contracts	562	424
Right-of-use assets - Finance lease expenses	228	-
Other interest	3	1
	3,036	2,499

8. Income tax expense

a) Tax expense:

	2019 £'000	2018 £'000
Current tax expense		
Current tax on profits for the year	818	2,514
Adjustments in respect of prior years	(100)	139
Total current tax charge	718	2,653
Deferred tax		
Origination and reversal of temporary differences (note 18)	1,406	691
Income tax charge reported in the income statement	2,124	3,344

The actual tax charge for the current year and previous year can be reconciled to the accounting profit as follows:

	2019 £'000	2018 £'000
Profit before taxation	12,431	18,213
Income tax expense calculated at standard rate of 19% (2018: 19%)	2,362	3,460
Factors affecting charge for the year:		
Disallowable expenses	1,406	707
Capital allowances for the year in excess of depreciation	(1,264)	(682)
Short-term timing differences arising in the year	(280)	(280)
Adjustments in respect of prior years	(100)	139
Total tax charge for the year	2,124	3,344
Effective rate	17.1%	18.4%

b) Income tax recognised in other comprehensive income

	2019 £'000	2018 £'000
Deferred tax		
Deferred tax related to items charged to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges	101	(78)
Actuarial adjustment on defined benefit pension schemes	56	(316)
Income tax charged/(credited) directly to other comprehensive income	157	(394)

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8. Income tax expense (continued)

c) Changes in tax rates and factors affecting the future tax charge

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these consolidated financial statements. Temporary differences are expected to be reversed after 1 April 2020 and, as such, deferred tax balances as at 31 December 2019 have been recognised at 17% (2018: 17%).

However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, the (unrecognised) deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax charge for the year and deferred tax liability as at 31 December 2019 would have been £1.22m higher.

9. Goodwill

The movements in the net carrying amount of goodwill are as follows:

Group	**£'000**
Cost and net book value	
At 31 December 2019	49,280
At 31 December 2018	49,280

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units that are expected to benefit from that business combination. The cost of goodwill in these financial statements which arose prior to IFRS adoption has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS. The carrying amount of goodwill of £49,280,000 (2018: £49,280,000) is allocated to the bus business in the UK.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amounts of the cash generating units ("CGUs") are determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The estimated discount rate used was 5.94% (2018: 5.8%). Changes in revenues and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows into perpetuity, recognising the long term characteristics of passenger transport cash-generating units, and based on an estimated growth rate that does not exceed the average long-term growth rate for the relevant markets. The long term growth rate used was 1.4% (2018: 1.5%).

10. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold land and buildings improvements £'000	Buses £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2018	32,347	13,814	288,402	21,819	356,382
Additions	2,505	2,749	30,888	1,503	37,645
Disposals	-	-	(19,336)	(3)	(19,339)
Transfers	-	-	(896)	-	(896)
At 31 December 2018	**34,852**	**16,563**	**299,058**	**23,319**	**373,792**
Reclassification due to adoption of IFRS 16 (note 2)	-	-	(31,374)	-	(31,374)
Additions	1,905	883	24,933	2,120	29,841
Disposals	-	(90)	(12,487)	-	(12,577)
Reclassifications	(87)	(79)		166	-
Transfers	-	-	(132)	-	(132)
At 31 December 2019	**36,670**	**17,277**	**279,998**	**25,605**	**359,550**
Accumulated depreciation and impairment					
At 1 January 2018	6,777	6,405	124,952	17,264	155,398
Charge for the year	841	615	21,500	1,105	24,061
Disposals	-	-	(19,214)	-	(19,214)
Transfers	-	-	(896)	-	(896)
At 31 December 2018	**7,618**	**7,020**	**126,342**	**18,369**	**159,349**
Reclassification due to adoption of IFRS 16 (note 2)	-	-	(2,351)	-	(2,351)
Charge for the year	964	660	21,056	1,031	23,711
Disposals	-	-	(12,397)	-	(12,397)
Reversal of provision for impairment	-	-	(36)	-	(36)
Reclassifications	(6)	(10)	-	16	-
Transfers	-	-	(132)	-	(132)
At 31 December 2019	**8,576**	**7,670**	**132,482**	**19,416**	**168,144**
Net book value					
At 31 December 2019	*28,094*	*9,607*	*147,516*	*6,189*	*191,406*
At 31 December 2018	27,234	9,543	172,716	4,950	214,443

The net book value of buses held under hire purchase contracts for the year ended 31 December 2018 has been reclassed as right-of-use assets under IFRS 16. As such, the £29,023,000 net book value for the buses is included in the transitional amount for 1 January 2019 for right-of-use assets. See note 10a.

10. Property, plant and equipment (continued)

Company

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019 and 31 December 2019	216	306	522
Accumulated depreciation			
At 1 January 2019 and 31 December 2019	216	306	522
Net book value			
At 1 January 2019 and 31 December 2019	-	-	-

10a. Leases

Group

	Buildings £'000	Buses £'000	Total £'000
Right-of-use assets (note 2)			
1 January 2019	13,240	30,953	44,193
Additions	-	23,183	23,183
Depreciation	(1,941)	(3,885)	(5,826)
At 31 December 2019	**11,299**	**50,251**	**61,550**
Lease liabilities			
1 January 2019 (note 2)	13,240	28,041	41,281
Additions	-	23,180	23,180
Interest expense	205	23	228
Principal paid	(1,850)	(8,599)	(10,449)
Interest paid	(205	(23)	(228)
At 31 December 2019	**11,390**	**42,622**	**54,012**

Additions to right-of-use assets and lease liabilities during the 2019 financial year relate to hire purchase contracts.

Lease liabilities are presented in the statement of financial position as follows:

Group	2019 £'000	2018 £'000
Lease liabilities from financial institutions:		
Current	10,888	6,251
Non-current	30,834	19,860
	41,722	**26,111**
Lease liabilities:		
Current	2,420	-
Non-current	9,870	-
	12,290	-

11. *Investments*

Company	2019 £'000	2018 £'000
Cost		
At 1 January and 31 December	111,978	111,978
Impairment		
At 1 January and 31 December	(10,577)	(10,577)
Net book value	101,401	101,401

All of the investments are unlisted.

Details of the Company's principal subsidiary undertakings, the results of which are included in these group financial statements, are as follows:

Subsidiary undertakings	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held % 2019	2018
Metroline Travel Limited	England and Wales	Bus operation	100	100
Metroline West Limited	England and Wales	Bus operation	100	100
Metroline Pension Scheme Trustees Limited	England and Wales	Trustee company	100	100

The registered office of Metroline Limited and all its subsidiaries is ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP.

Audit exemption

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of that Act.

Subsidiary undertakings	*Registration number*
Metroline Travel Limited	02328401
Metroline West Limited	08401654

12. *Inventories*

	Group 2019 £'000	Group 2018 £'000
Bus maintenance stocks	1,882	1,581
Fuel stocks	941	724
	2,823	2,305

The cost of inventories recognised as an expense and included in cost of sales was £55,235,000 (2018: £58,537,000). This includes an amount of £nil (2018: £nil) resulting from write down of inventories.

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13. Trade and other receivables

	Group		Company	
Current	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Trade receivables	15,662	14,949	-	-
Amounts owed by group undertakings	13,027	8,364	4,691	5,166
VAT receivable	2,645	1,885	-	-
Prepayments	2,480	3,299	-	-
Contract asset	2,989	3,957	-	-
Hedging instruments (note 21)	137	-	-	-
Other receivables	751	92	-	-
	37,691	32,546	4,691	5,166

Trade receivables

Trade receivables are non-interest bearing and are generally on 1-30 day terms.

Amounts owed by group undertakings

The amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand. No guarantees have been given or received, and no provisions have been made for doubtful debts in respect of the amounts owed. Additional information on related party transactions and balances are disclosed in note 25.

Reconciliation of contract assets and liabilities

	2019 £'000	**2018 £'000**
Opening contract assets	17,927	18,079
Opening contract liabilities	(4,754)	(4,870)
Net	13,173	13,209
Opening contract assets reclassified as trade receivables	-	(13,667)
Revenue recognised	370,975	376,175
Billings in year	(371,688)	(376,514)
Subtotal	(713)	(14,006)
Closing contract assets	2,989	3,957
Closing contract liabilities	(5,154)	(4,754)
Net	(2,165)	(797)

Following a review of the disclosure requirements, prior year balance of contract assets have been restated from £17,927,000 to £3,957,000 and this resulted in £13,970,000 increase in trade receivables.

13. Trade and other receivables (continued)

Credit risk management

Apart from Transport for London ("TfL"), the largest customer of the Group, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group regards the credit risk arising from TfL to be limited as it is a UK government body. TfL accounts for 95% (2018: 99%) of trade receivables and accrued income and the Group regards the credit risk arising from TfL to be limited as it is a UK government body. The credit risk on liquid funds and hedging instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

No allowance has been made for estimated irrecoverable amounts which has been determined by reference to past default experience. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The total value of receivables which are past due but not impaired is insignificant.

14. Lease liabilities from financial institutions

	Group	
Amounts payable under finance leases:	**2019 £'000**	**2018 £'000**
Within one year	11,552	6,701
Between one and two years	11,351	6,581
Between two and five years	20,341	13,913
	43,244	27,195
Less: future finance charges	(1,522)	(1,084)
	41,722	26,111
Current liabilities	10,888	6,251
Non-current liabilities	30,834	19,860
	41,722	26,111

Obligations under finance leases were secured over property, plant and equipment with a net book value of £49,358,000 (2018: £29,023,000).

The fair value of the Group's lease obligations approximates their carrying value.

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 on adoption of the new leasing standard. See note 2 for further information about the change in accounting policy for leases.

15. Lease liabilities

	Group	
Amounts payable under finance leases:	2019 £'000	2018 £'000
Within one year	2,685	-
Between one and two years	2,109	-
Between two and five years	3,377	-
More than five years	5,225	
	13,396	-
Less: future finance charges	(1,106)	-
	12,290	-
Current liabilities	2,420	-
Non-current liabilities	9,870	-
	12,290	-

The above represents leases for certain buses and buildings of the Group. The weighted average incremental borrowing rate was 1.66%.

16. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	3,065	4,148	-	-
Amounts owed to group undertakings	13,251	8,045	5,553	5,553
Other taxes and social security	6,424	7,272	-	-
Hedging instruments (note 20)	-	459	-	-
Contract liability	5,154	4,754	-	-
Accruals	18,433	17,275	12	12
	46,327	41,953	5,565	5,565

Amounts owed to group undertakings

The amounts owed to group undertakings are on normal commercial terms, none of which are interest bearing, and are repayable on demand. Additional information on related party transactions and balances are disclosed in note 25.

17. Provision for accident claims

Group	2019 £'000	2018 £'000
At 1 January	7,741	10,589
Utilisation of provision	(4,942)	(5,888)
Charged to profit and loss	3,240	3,040
At 31 December	6,039	7,741

The insurance provision relates to liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. The group self-insures its fleet of buses against claims in respect of traffic accidents, subject to an overall annual limit to its liability.

The directors have recognised as a liability in the accounts the undiscounted financial impact of the expected resolution of any outstanding claims on the basis of all information currently available, on a consistent basis. The directors do not consider the impact of discounting to be material.

However, it is inherent in the nature of insurance claims that the ultimate liabilities may vary as a result of subsequent developments, so that the provision made may be excessive or insufficient. There is an undiscounted unprovided loss of £2,824,000 (2018: £3,566,000), which is the unprovided amount that the Company may possibly be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable.

The vast majority of claims are likely to be settled within five years although in a small number of cases it may take significantly longer for the final amount of liability to be established.

18. Deferred tax assets / liabilities

Group	Retirement benefit asset / (obligation) £'000	Hedging fair value gains / (losses) £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2018	302	-	8,260	8,562
Charged to profit and loss	-	-	691	691
Credited to other comprehensive income	(316)	(78)	-	(394)
At 31 December 2018	(14)	(78)	8,951	8,859
Charged to profit and loss	-	-	1,406	1,406
Charged to other comprehensive income	56	101	-	157
At 31 December 2019	42	23	10,357	10,422

Company	Accelerated tax depreciation £'000
At 31 December 2018	(2)
Charged to profit and loss	1
At 31 December 2019	(1)

Details of the deferred tax assets and liabilities, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	31 December 2019 £'000	31 December 2018 £'000	2019 £'000	2018 £'000
Deferred tax assets				
Retirement benefit obligation	-	14	14	(14)
Deferred tax liabilities				
Accelerated tax depreciation	(10,357)	(8,951)	1,406	691
Fair value adjustment on cash flow hedges	(23)	78	101	(78)
Retirement benefit asset	(42)	-	42	(302)
	(10,422)	(8,873)	1,549	311
Deferred tax expense			1,563	297
Deferred tax liabilities net	(10,422)	(8,859)		

Reconciliation of deferred tax liabilities net:

	2019 £'000	2018 £'000
Opening balance as of 1 January	(8,859)	(8,562)
Tax expense during the year recognised in profit or loss	(1,406)	(691)
Tax (expense)/income during the year recognised in other comprehensive income	(157)	394
Closing balance as at 31 December	(10,422)	(8,859)

19. **Called up share capital**

	Group and Company			
	2019		2018	
	No. '000	£'000	No. '000	£'000
Authorised				
Ordinary shares of £1 each	61,500	61,500	61,500	61,500
Called up, allotted and fully paid				
Ordinary shares of £1 each	61,002	61,002	61,002	61,002

20. **Financial commitments**

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital commitments:				
Acquisition of property, plant and equipment contracted for but not provided	5,318	52,267	-	-

Operating lease arrangements:

The Group as lessee

As at 31 December 2019, the Group committed to £474,000 for leases exempted under IFRS 16.

As at 31 December 2019, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Others	
Group	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts payable under operating lease:				
Within one year	-	2,049	-	1,554
Within two to five years	-	6,159	-	1,886
In five years or more	-	6,216	-	-
	-	14,424	-	3,440

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 on adoption of the new leasing standard. 2018 comparative figures relate to outstanding commitments for operating leases. See note 2 for further information about the change in accounting policy for leases.

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21. Financial instruments

Note 2 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and liabilities in each category are as follows:

Group		**Hedging instruments (carried at fair value)**	**Financial assets measured at amortised cost**	**Total**
At 31 December 2018	**Notes**	**£'000**	**£'000**	**£'000**
Financial assets				
Trade receivables	13	-	14,949	14,949
Cash and cash equivalents		-	13,827	13,827
		-	28,776	28,776

		Hedging instruments (carried at fair value)	**Other liabilities (carried at amortised cost)**	**Total**
		£'000	**£'000**	**£'000**
Financial liabilities				
Lease liabilities from financial institutions - current	14	-	6,251	6,251
Trade payables	16	-	4,148	4,148
Fuel hedge		459	-	459
Lease liabilities from financial institutions - non-current	14	-	19,860	19,860
		459	30,259	30,718

Following a review of the disclosure requirements, prior year balance of trade payables within financial liabilities have been restated from £8,839,000 to £4,148,000.

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Group At 31 December 2019	Notes	Hedging instruments (carried at fair value) £'000	*Financial assets* measured at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	13	-	15,662	15,662
Cash and cash equivalents		-	10,197	10,197
Fuel hedge		137	-	137
		137	25,859	25,996

		Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Lease liabilities from financial institutions - current	14	-	10,888	10,888
Lease liabilities - current	15	-	2,420	2,420
Trade payables	16	-	3,065	3,065
Lease liabilities from financial institutions - non-current	14	-	30,834	30,834
Lease liabilities - non-current	15	-	9,870	9,870
		-	57,077	57,077

The carrying values of the financial assets and liabilities approximate to their fair value and represents the maximum exposure to the Group.

21. Financial instruments (continued)

A description of the Group's financial instrument risks, including risk management objectives and policies is given below.

Financial risk management policies and objectives

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholder value. Management oversees financial risk management and regularly reviews its policy governing risk management practices. The Group's management monitors and manages the financial risks relating to the operations of the Group and seeks to minimise the effects of these risks by using hedging instruments to hedge these risk exposures. It is the Group's policy not to participate in speculative financial instruments.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks.

Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (borrowings disclosed in note 14 and note 15 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of hedging instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward contracts to hedge the price risk arising on highly probable future purchases of fuel;
- forward foreign exchange contracts to hedge the exchange rate risk arising on highly probable future purchases of fuel; and
- interest rate swaps to mitigate the risk of rising interest rates.

21. Financial instruments (continued)

Market risk (continued)

Hedging instruments held:

	Notional		Fair Value	
	2019	2018	2019 £'000	2018 £'000
Fuel hedges				
MT	6,840	10,080	137	(459)
	6,840	10,080	137	(459)

The Group's hedging instruments were measured at fair value and were all classified as Level 2 in the IFRS 13 fair value hierarchy, i.e. they were derived from inputs other than unadjusted quoted prices in active markets for identical assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of fuel hedges at the reporting date was determined by a discounted cash flow valuation estimating cash flows based on forward fuel prices (from observable fuel prices at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fuel price risk

Fuel is part of the operating cost of the Group. The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Foreign currency risk

The Group manages its foreign exchange exposure primarily by matching revenue and costs in the relevant currencies to create a natural hedge. However the Group undertakes fuel purchase transactions linked to commodities denominated in US dollars; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group has total sterling denominated cash assets of £10,178,000 (2018: £13,809,000) of which £10,195,000 (2018: £13,872,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets of £19,000 (2018: £18,000) were denominated in US Dollars, the rest were denominated in Pounds Sterling.

Financial liabilities were denominated in Pounds Sterling.

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Year ended 31 December 2019

21. ***Financial instruments (continued)***

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group's primary interest rate risk relates to its borrowings. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments which have the economic effect of converting borrowings from floating rates to fixed rates.

Interest rate risk profile of financial liabilities at 31 December 2019:

	Floating rate financial liabilities 2019 £'000	Floating rate financial liabilities 2018 £'000	Fixed rate financial liabilities 2019 £'000	Fixed rate financial liabilities 2018 £'000
Lease liabilities (2018: Hire purchase and Finance leases)	-	-	54,012	26,111

The Group's floating rate financial liabilities amount was £nil (2018: £nil). All borrowings were on a fixed rate and the weighted average interest rate was 1.77% (2018: 1.93%).

Interest rate sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for hedging instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Based on sensitivity analysis performed at the end of the reporting period, management has assessed that the exposure to changes in interest rates is minimal and hence the resulting impact on the profit or other comprehensive income of the Group is insignificant.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturity of financial liabilities:

The Group's non-borrowing related financial liabilities are all due within one year.

The maturity of the Group's financial liabilities at 31 December 2019 was as follows:

	2019 £'000	2018 £'000
In one year or less, or on demand	13,308	6,251
In more than one year but not more than two	12,862	6,252
In more than two years, but not more than five	23,029	13,608
In more than five years	4,813	-
	54,012	26,111

Notes to the financial statements
Year ended 31 December 2019

22. Retirement benefit obligations

A. Defined contribution scheme

The Group operates a defined contribution pension scheme. The charge for the scheme in 2019 is £5,372,000 (2018: £4,761,000). The contributions outstanding at the year end amounted to £nil (2018: £nil).

B. Defined benefit schemes

Metroline and Metroline London Northern Pension Schemes

The Group operates two UK registered trust based pension schemes that provide defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Schemes in accordance with the Schemes' Trust Deed and Rules, which sets out their powers. The Trustees of the Schemes are required to act in the best interests of the beneficiaries of the Schemes. There is a requirement that one-third of the Trustees are nominated by the members of the Schemes.

There are two categories of pension scheme members:

· Deferred members: those who have not retired and are not in receipt of a pension

· Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outflow (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5.0% pa). The valuation method used is known as the Accrued Benefit Method. The approximate overall duration of the Schemes' defined benefit obligation as at 31 December 2019 was 18 years.

Both schemes are now closed to new entrants. On 28 February 2007 the schemes were closed to future accrual (with the exception of those members whose retirement date was no later than 31 January 2008). This means that their benefit entitlements no longer increase in line with their length of service and salary.

Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years.

The last actuarial valuation of the Metroline Pension Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2019. In respect of the deficit in the Scheme as at 31 March 2019, the funding shortfall is expected to be eliminated by 30 September 2021, and the Company has agreed to pay £743,000 per annum from 1 June 2019 until 31 May 2020 and £770,000 per annum from 1 June 2020 until 31 May 2021, and thereafter £67,000 per month until 30 September 2021. The Company therefore expects to pay £758,750 to this Scheme during the accounting year beginning 1 January 2020.

The last actuarial valuation of the Metroline London Northern Pension Scheme was performed by the Scheme Actuary for the Trustees as at 5 April 2019. In respect of the deficit in the Scheme as at 5 April 2019, the funding shortfall is expected to be eliminated by 31 March 2021, and the Company has agreed to pay £648,000 per annum from 1 June 2019 until 31 May 2020 and thereafter £56,000 per month until 31 March 2021. The Company therefore expects to pay £662,000 to this Scheme during the accounting year beginning 1 January 2020.

Risks

Through the Schemes, the Company is exposed to a number of risks:

- *Asset volatility:* The Schemes' defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Schemes invest significantly in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- *Changes in bond yields:* a decrease in corporate bond yields would increase the Schemes' defined benefit obligation, however this would be partially offset by an increase in the value of the Schemes' bond holdings.

22. Retirement benefit obligations (continued)

Risks (continued)

- Inflation risk: a significant proportion of the Schemes' defined benefit obligation is linked to inflation; therefore, higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Schemes' assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if Scheme members live longer than expected, the Schemes' benefits will need to be paid for longer, increasing the Schemes' defined benefit obligation.

The Trustees and Company manage risks in the Schemes through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: The Trustees are required to review their investment strategy on a regular basis.

Assumptions

The results of the most recent formal actuarial valuation as at 31 March 2019 (Metroline Pension Scheme) and as at 5 April 2019 (Metroline London Northern Pension Scheme) have been updated to 31 December 2019 by a qualified independent actuary. The assumptions used are in note 22 (i) stated below.

(i) Principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Rate of increase in salaries (%)	-*	-*
Revaluation of deferred pensions in excess of GMP – pension increases (%)	2.10	2.30
Annual rate of pension increases - in payment (%)	3.10	3.20
Post 88 GMP pension increases - in deferment (%)	1.90	2.00
Assumed life expectancies (in years) on retirement at age 65 are:		
Retiring today:		
- Males	19.0	19.3
- Females	20.6	21.1
Retiring in 20 years' time:		
- Males	19.9	20.3
- Females	21.7	22.3
Life expectancies are based on the following published mortality tables:		
– current pensioners	102% (males) / 110% (females) of S3PA CMI_2018_M/F [1.00%] (yob) rated by 3 years	S2PA CMI_2017_M/F (YOB) rated by 3 years
– non-pensioners	102% (males) / 110% (females) of S3PA CMI_2018_M/F [1.00%] (yob) rated by 3 years	S2PA CMI_2017_M/F (YOB) rated by 3 years
Inflation assumption - RPI (%)	3.20	3.40
Inflation assumption - CPI (%)	2.10	2.30
Discount rate for future pension liabilities (%)	2.00	2.80

* As there are no members with benefits related to future salary progression, no assumption needs to be made with regard to salary increases.

22. Retirement benefit obligations (continued)

(ii) The amounts recognised in the statement of financial position are as follows:

	2019 £'000	2018 £'000
Present value of pension liability	(86,406)	(80,452)
Fair value of pension fund assets	86,654	80,369
Surplus/(deficit)	248	(83)
Asset/(liability) recognised in the statement of financial position	248	(83)
Related deferred tax (liability)/asset	(42)	14

(iii) The amounts recognised in profit and loss are as follows:

	2019 £'000	2018 £'000
Net interest	(17)	(61)
Scheme administrative expenses	40	213
Amount charged to profit and loss	23	152

(iv) The amounts recognised in the statement of comprehensive income (OCI) are as follows:

Actuarial adjustments	2019 £'000	2018 £'000
Actuarial (losses)/gains on liabilities	(6,720)	2,265
Return on assets excluding amounts included in net interest	5,575	(5,597)
Actuarial adjustment recognised in OCI	(1,145)	(3,332)

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

	2019 £'000	2018 £'000
Opening pension obligation	(80,452)	(83,334)
Interest costs on liability	(2,211)	(2,050)
Adjustments from changes in actuarial assumptions	(6,720)	2,265
Benefits paid to pension scheme members	2,977	2,667
Closing defined benefit obligation	(86,406)	(80,452)

22. **Retirement benefit obligations (continued)**

(vi) **Changes in the fair value of the schemes' assets are as follows:**

	2019 £'000	2018 £'000
Opening fair value of the schemes' assets	80,369	85,111
Interest income on schemes' assets	2,228	2,111
Return on schemes' assets less interest	5,664	(5,509)
Contributions by the company to the schemes	1,370	1,323
Benefits paid to pension scheme members	(2,977)	(2,667)
Closing fair value of the schemes' assets	*86,654*	*80,369*

All contributions with the exception of a fixed monthly contribution have now ceased. Current monthly contributions are £116,000 per month and are due to increase to £120,000 per month from June 2020.

(vii) **The major categories of assets for Metroline and Metroline London Northern Pension Schemes are invested as follows:**

	Fair Value at 2019 £'000	Percentage of fair value of the total schemes' assets 2019 %	Fair Value at 2018 £'000	Percentage of fair value of the total schemes' assets 2018 %
Equities	28,273	32.63	23,920	29.76
Gilts	50,530	58.31	48,424	60.25
Bonds	2,700	3.12	2,718	3.38
Property	4,520	5.21	4,432	5.52
Cash	631	0.73	875	1.09
Total market value of assets	86,654	100.00	80,369	100.00
Present value of the schemes' liabilities	(86,406)		(80,452)	
Combined surplus/(deficit) in the schemes	248		(83)	

The actual return on assets over the period was 9.8% (2018: -4.0%).

The schemes' assets do not directly include any of the Group's financial instruments, nor any property occupied by, or other assets used by the Group.

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23. Contingent liabilities

All material companies in the Metroline Group are party to a cross guarantee in favour of the Group's bankers.

Metroline Limited has guaranteed certain hire purchase, insurance liabilities and operating leases of Metroline Travel Limited and Metroline West Limited which amounted to £49,549,000 at the year end (2018: £37,100,000).

Amounts contracted for but not provided in the financial statements amounted to £5,318,000 (2018: £52,267,000).

24. Ultimate parent company and controlling party

The parent company and the controlling party of the smallest and largest group of which the Company is a member and for which Group financial statements are prepared at the balance sheet date is Braddell Limited, a company incorporated in Great Britain and ComfortDelGro Corporation Limited, a company incorporated in Singapore, respectively. Copies of its financial statements can be obtained from 205 Braddell Road, Singapore 579701, which is the registered office for the company.

25. *Related party transactions*

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

The following amounts were outstanding at the reporting date:

	Amounts owed by related parties		Amounts due to related parties	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Scottish Citylink Coaches Limited	209	194	-	-
Westbus Coach Services Limited	18	11	-	-
Computer Cab plc	-	44	-	-
Cityfleet Networks Limited	3,501	7	-	-

No trading transactions took place during the year between group companies and Scottish Citylink Coaches Limited. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The amount owed by Scottish Citylink Coaches Limited consists of staff costs paid by Metroline Travel Limited to employees of the company on behalf of the company which had not yet been reimbursed at 31 December 2019.

The amount owed by Cityfleet Networks Limited includes a non-interest bearing loan that is repayable on demand of £3,500,000 (2018: £nil). The remainder of the balance represents staff costs paid by Metroline Travel Limited on behalf of the company which had not yet been reimbursed at 31 December 2019.

The amount owed by Westbus Coach Services Limited consists of repairs and maintenance and waste collection costs paid by Metroline Travel Limited and Metroline West Limited to suppliers on behalf of the company which had not yet been reimbursed at 31 December 2019.

Details of contributions by group companies to defined benefit pension schemes, which are related parties of the group, have been made in note 22.

Details of the remuneration of the directors, who are the Group's key management personnel, are given in note 4.