Company Registration No. 08401654

Metroline West Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Metroline West Limited

Annual Report and Financial Statements
for the year ended 31 December 2021

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Corporate Information
for the year ended 31 December 2021

Directors

Sean O'Shea
Ian Foster
Siak Kian Cheng (appointed 21 February 2022)
Rudy Tan Lai Wah (appointed 14 January 2022)

Company Secretary

Ishai Novick

Registered office

ComfortDelGro House
329 Edgware Road
Cricklewood
London
NW2 6JP

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors

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

Metroline West Limited

Strategic report

The Directors present their Strategic report on the Company for the year ended 31 December 2021. The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Activities

The Company's principal activity during the year continued to be the provision of road passenger transport services, principally 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 Company 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 Company 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 Company 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 Company deals with employee engagement is dealt with in the Directors report under Employee consultation.

Additional information in respect of the Board, Directors, consideration of Stakeholders and their engagement is provided in the following sections of the corporate governance statement (page 3): Board Composition, Director Responsibilities, Stakeholder relationships and engagement.

Metroline West Limited

Strategic report (continued)

Corporate Governance Statement

The ultimate parent company which is listed on the Singapore Stock Exchange is committed and adheres to the Code of Corporate Governance issued by the Monetary Authority of Singapore dated 6 August 2018 and ensures that it is upheld throughout the Group. Details of the Corporate Governance practises are set out within the ComfortDelGro Annual Report available on the ComfortDelGro website.

As a wholly-owned subsidiary of the listed ComfortDelGro Group, Metroline West Limited did not follow a formalised Corporate Governance Code in the financial year to 31 December 2021, however the Company voluntarily complied with the Wates Corporate Governance Principles for large private companies as follows:

1. **Purpose and leadership** – The Metroline Board determines the long term strategy, direction and performance of Metroline including its directly owned subsidiaries of which Metroline West is one . Our vision is to be the Land Transport Operator of choice in the markets that we operate in and the Board are responsible for ensuring the values, strategy and culture are aligned with that vision.

2. **Board composition** – The Metroline Board comprises of the Chairman, Group Chief Executive & Group Strategy & Risk Officer of ComfortDelGro Corporation, as well as the CEO of UK & Ireland Bus and Coach Division. Recent appointments to board include the Group Chief Financial Officer and Group Deputy Chief Executive Officer providing additional Parent Company oversight and operational expertise.

3. **Director responsibilities** – The Metroline Board ensure that the local businesses are aligned with Shareholder Interests and with the policies and directions of the wider Group. The CEO of UK & Ireland Bus & Coach has the operational responsibility for delivery of the business plans and meeting the objectives set by the Board. Directors acknowledge their duties to promote the success of the company as set out in the Section 172 (1) Statement on page 2.

4. **Opportunity and risk** – The Metroline Board seek out opportunity while mitigating risk. Long term strategic opportunities are highlighted to the Board through regular Board meetings and through the Group Business Development function. The Metroline Board and the ComfortDelGro Risk & Sustainability Office ensure that inherent and emerging risks are identified and managed appropriately and in a timely manner updating the overall Group Risk Register for any changes in underlying conditions. Risks are managed at a local level through Operational and Safety Risk Committees and through the regular reporting and investigation of incidents. The Safety of our Passengers and Staff are the number one priority in all that we do.

5. **Remuneration** – The Chairman and Group Chief Executive are remunerated through ComfortDelGro, details of which are published in their Annual Report. The CEO of UK & Ireland Bus & Coach is remunerated in line with market conditions.

6. **Stakeholder relationships and engagement** – Directors foster effective stakeholder relationships aligned to the company's purpose of being the Land Transport Operator of choice. This requires both the Board and Senior Management to engage with arrange of Stakeholders in order to deliver financial returns and growth in a sustainable way.

Stakeholders include employees, passengers, suppliers, customers including local authorities, devolved assemblies and Regulators such as Transport for London, Department for Transport and the Office of the Traffic Commissioner.

Engagement takes many forms including local briefings and regular communication with Staff via in-house tools such as Blink and newsletters.

For other stakeholders such as our customers and local authorities, formal meetings and daily dialogue take place with key stakeholder representatives.

Metroline West Limited

Strategic report (continued)

Financial results and future prospects

2021 remained a very challenging year responding to the Covid pandemic. Whilst services remained per contracted scheduled mileage, in contrast to the reduced mileage operated during the first lockdown that impacted 2020 revenue operational challenges included elevated sickness and absenteeism, resulting in high sick pay, overtime pay, and enhanced cleaning and purchase of personal protective equipment constrained the growth in profits.

In addition, competition in the London tendering market continues to constrain tender pricing requiring Metroline Travel to respond by lowering prices to maintain the overall volume of work. Pricing pressures have had a corresponding impact on margins generated. The average staff numbers decreased by 4.8% over the year, averaging 1,075 in 2021 (2020: 1,129) ending the year lower at 948 reflecting the decrease in staff required to operate the business.

As shown in the Company's statement of comprehensive income on page 10, the Company's revenue has decreased in the year by £2.5m (3.0%) to £79.0m (2020: £81.4m) with a pre-tax profit of £1.3m (2020: £2.2m), as a result of the impact on London Bus Revenue from contract pricing and increasing tendering pressures.

The Company's statement of financial position on page 11 and page 12 shows the Company's net asset position at £97.5m at the end of the year (2020: £96.8m).

Future outlook

There remains a degree of short term uncertainty created by continuing COVID-19 related restrictions and ongoing mitigation actions including expenditures whilst operating through the pandemic. Further lockdowns would likely have an immediate impact on operations and further delay the improvements in performance and financial recovery of the businesses.

The Company 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, 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 Company, which could result in it losing routes to its key competitors. The Company 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 Company 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 and variants of the virus are a continuing risk for the Company impacting customers, employees and the economy within which the Company operates. 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.

Input Cost inflation including staff wages and fuel are a continuing risk for the Company. Contracted work with TfL includes indexation provision mechanisms that mitigate inflationary cost pressures. However the risk remains that contract indexation does not fully compensate for the immediate increase in input costs particularly at times of short term price volatility.

The UK's withdrawal from the European Union and subsequent Trade Deal removed some of the risk and uncertainty. However the consequences of labour shortages particularly in the transport sector remain a challenge facing the industry.

TfL funding is a risk to the business with the pandemic significantly impacting patronage and farebox revenues of our primary customer. As a result central government financial support has been provided to enable TfL to balance

Strategic report (continued)

their budgets. Should a long term funding support mechanism not be agreed between TfL and central government, uncertainty over support for the existing bus network is likely to escalate.

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	**2021**	**2020**
Turnover (£ms)	79.0	81.4
Operating Profit (£ms)	1.3	2.3
Operating Profit Margin (%)	1.3%	2.8%

Non-Financial	**2021**	**2020**	**Definition**
Operated Mileage	99.65%	99.62%	Level of mileage under contract delivered
Mileage	13.9m	14.2m	Total Mileage
Net Route Awards	-2	-	New Routes awarded net of routes lost through tendering

The operated mileage performance was in line with the result for prior year.

Whilst two existing routes were retained, two existing contracts were lost demonstrating the competitive nature of the London tendering market.

Energy Consumption and Emissions Reporting

The Streamlined Energy and Carbon Reporting Regulations (SECR) is a key part of the UK Government's tackling of Climate Change. For periods beginning on or after 1 April 2019, unquoted large companies are required to include statements concerning greenhouse gas emission, energy consumption and action taken to increase energy efficiency in the UK.

As a major provider of public transport we believe that as a Company we are playing a significant part in the UKs challenge to meet its climate change responsibilities and improvement in air quality.

SECR reporting utilises the Energy Managers Association (EMA) Methodology designed to meet the specific SECR requirements incorporating the relevant elements of GHG Reporting Protocol: Corporate Standard, ISO 14064-1:2018, The Global Reporting Initiative Sustainability Reporting Guidelines. Energy use and emissions are calculated utilising the conversion factors set in DEFRA conversion tables.

Energy Consumption (MWh)	**2021**	**2020**
Diesel	86,614	89,762
Electricity	1,250	1,398
Gas	2,357	2,069
Other	446	392
Total	**90,666**	**93,621**

Greenhouse Gas Emissions (tCO2e)	**2021**	**2020**
Scope 1	21,061	22,075
Scope 2	26	326
Scope 3	-	-
Total	**21,326**	**22,401**
(tCO2e) / 1,000 miles	**1.53**	**1.58**

Strategic report (continued)

Energy Consumption and Emissions Reporting (continued)

Scope 1 – direct emissions from sources owned or controlled by the company including fuel burned by company vehicles.

Scope 2 – indirect emissions generated as a result of energy purchased from suppliers, largely electricity.

Scope 3 – indirect emissions generated by sources connected to the business

During the year, all 1,250 MWh of electricity purchased (2020: 1,398 MWh) was on a 100% Renewable Energy Guarantee of Origins basis. Whilst obliged under SECR to include the standard GHG emission of equivalent Electricity Generation the renewable energy component suggest that this over reports the true GHG emissions.

Energy & Emissions Saving Initiatives

- Operation of a fully Euro 6 compliant fleet
- Contracting to supply 100% REGO backed renewable energy to the London Operation
- Continuation of roll-out of LED replacement lights across sites
- Continuation of investment program in new efficient HVAC and ventilation equipment in multiple sites
- Use of B20 fuel in London Operation cutting GHG
- Support of Home working initiatives including introduction of new technology reducing commuting and travel where practical and appropriate

Financial risk management

The Company's principal financial assets are bank balances and trade receivables. The Company's credit risk is primarily attributable to its trade receivables. The Company 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 19 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 2021, the Company had net current assets of £28.9m (2020: £20.7m), and generated net operating profit of £1.2m during the year ended 31 December 2021 (2020: £2.2m).

Management believes that the Company has adequate resources to continue in operational existence for the foreseeable future. This has been assessed by review of forecasts that take into account strong opening cash balances (£16.3m), the cash generative ability of the business through 2021 and beyond, notwithstanding the negative impacts on revenue from the pandemic. In addition available government support mechanisms continue to provide further mitigation to cash outflows. The forecasts show an expectation of significant available cash balances throughout the forecast period, although the balance fluctuates depending on the timing of receipts from TfL, whilst remaining positive throughout.

Management has further considered how much revenue would need to decline in order for the Company's cash balances to be depleted fully in the forecast period, and concluded that the likelihood of revenue decreasing by an amount which would result in this is considered to be very remote. Further, additional mitigating actions (for example further cost savings or capital expenditure deferrals) would be available to the Company if revenue did decline in the future, further reducing the likelihood of the Company's cash balances being fully depleted.

Directors manage Metroline West as a member of a number of Group Companies. Metroline Limited has provided a guarantee of Metroline West's liabilities as at 31 December 2021 The Company is not subject to any financial covenants on any existing debt facilities and has no debt apart from existing finance leases. Management's believe that there are significant and varied sources of additional financial facilities from existing banking relationships in the event that they would be required, providing management with additional confidence in adopting the going concern basis of accounting in preparing the annual financial statements.

Metroline West Limited

Strategic report (continued)

Going concern (continued)

As a result, management expects to have sufficient cash resources and cash generating operations through 2022 and beyond.

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.

Further details regarding the adoption of the going concern basis can be found in the accounting policy note 2.

Post Balance Sheet Events

On the 27 January 2022 the company completed its disposal of Alperton Garage for £25m generating a one-off post tax disposal gain of £16.8m. As part of the overall condition of sale Metroline West acquired a freehold site on Capital Business Centre, Athlon Road, Wembley for £7m which Metroline West will utilise as part of its overall property portfolio.

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

Approval

This report was approved by the Board of Directors on 29th July 2022 and signed on its behalf by:

Sean O'Shea

Director

29th July 2022

Metroline West Limited

Directors' report

The Directors present their annual report and the unaudited financial statements for the year ended 31 December 2021.

Environment

Metroline West 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 Company'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 West Limited for the entire period covered by these financial statements by the Company's ultimate parent company (see Note 21). This cover has continued to the date of approval of these financial statements.

Dividends

Dividends paid in the year were £nil (2020 : £nil).

Disabled employees

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

Employee consultation

The Directors and Managers of the Company 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.

Financial risk management objectives and policies and future prospects

Details of the Company's financial risk management objectives and policies and future prospects can be found within the principal risks and uncertainties section of the Strategic Report and form part of this report by cross-reference.

Auditors

For the year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under the terms of the exemption Metroline Limited, the Company's immediate Parent Company has provided a guarantee to all outstanding liabilities to which Metroline West is subject as at 31 December 2021.

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

Sean O'Shea

Director

29th July 2022

Metroline West Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 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.

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

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

Metroline West Limited

Statement of comprehensive income
Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	3	78,955	81,433
Cost of sales		(74,529)	(75,293)
Gross profit		4,426	6,140
Administrative expenses		(3,147)	(3,877)
Operating profit	5	1,279	2,263
Finance income	6	-	3
Finance costs	7	(44)	(52)
Profit before taxation		1,235	2,214
Income tax expense	8	(549)	(664)
Profit for the year		**686**	**1,550**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges	19	19	(30)
Deferred tax (charge)/credit on fair value adjustment on cash flow hedges	8b,16	(5)	5
Other comprehensive income/(loss) for the year		**14**	**(25)**
Total comprehensive income for the year		**700**	**1,525**

Metroline West Limited

Statement of financial position
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Goodwill	9	43,921	43,921
Property, plant and equipment	10	25,305	32,362
Right-of use assets	10a	11,099	3,192
Total non-current assets		80,325	79,475
Current assets			
Inventories	11	556	733
Trade and other receivables	12	18,994	20,526
Assets held for sale	10	4,253	-
Deferred tax assets	16	3,568	-
Cash and cash equivalents		16,276	10,140
Total current assets		43,647	31,399
Total assets		**123,972**	**110,874**

Metroline West Limited

Statement of financial position (continued)
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Liabilities and equity			
Current liabilities			
Trade and other payables	13	9,331	8,829
Lease liabilities	10a,14	794	1,034
Income tax payable		4,263	5
Provision for accident claims	15	311	856
Total current liabilities		14,699	10,724
Non-current liabilities			
Lease liabilities	10a,14	10,276	2,120
Deferred tax liabilities	16	1,522	1,255
Total non-current liabilities		11,798	3,375
Total liabilities		26,497	14,099
Equity			
Issued share capital	17	57,500	57,500
Retained earnings		39,961	39,275
Cash flow hedging reserve		14	-
Total equity		97,475	96,775
Total liabilities and equity		**123,972**	**110,874**

For the year ending 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

- The directors have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of Metroline West Limited, registered number 08401654, were approved by the Board of Directors on 29th July 2022.

Signed on behalf of the Board of Directors

Sean O'Shea

Director

Metroline West Limited

Statement of changes in equity
Year ended 31 December 2021

	Notes	Share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 January 2020		**57,500**	**37,725**	**25**	**95,250**
Profit for the year		-	1,550	-	1,550
Other comprehensive income/(loss)					
Fair value adjustment on cash flow hedges	19	-	-	(30)	(30)
Deferred tax charge on fair value adjustment on cash flow hedges	8b, 16	-	-	5	5
Total other comprehensive income		**-**	**-**	**(25)**	**(25)**
Total comprehensive income for the year		**-**	**1,550**	**(25)**	**1,525**
Balance at 31 December 2020		**57,500**	**39,275**	**-**	**96,775**
Profit for the year		-	686	-	686
Other comprehensive income/(loss)					
Fair value adjustment on cash flow hedges	19	-	-	19	19
Deferred tax credit on fair value adjustment on cash flow hedges	8b, 16	-	-	(5)	(5)
Total other comprehensive income		**-**	**-**	**14**	**14**
Total comprehensive income for the year		**-**	**686**	**14**	**700**
Balance at 31 December 2021		**57,500**	**39,961**	**14**	**97,475**

Notes to the financial statements
Year ended 31 December 2021

1. General information and accounting policies

Metroline West Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 7.

Metroline West Limited is subsidiary of Metroline Limited, whose ultimate parent company is ComfortDelGro Corporation Limited in Singapore. Information on its ultimate parent is presented in note 21.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements under s400 of the Companies Act 2006, because it is included in the Company accounts of Metroline Limited. The Company accounts of Metroline Limited are available to the public and can be obtained as set out in note 21.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council,

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to 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 accounts of Metroline Limited. The Company accounts of Metroline Limited are available to the public and can be obtained as set out in note 20.

The financial statements have been prepared under the historical cost convention, except for hedging instruments that have been measured at fair value, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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

Notes to the financial statements
Year ended 31 December 2021

2. Summary of significant accounting policies

Going concern

The Company'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 Company, 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 Company is well placed to manage its business risks successfully.

In particular, although the Company is exposed to wider macroeconomic events, the directors have given due consideration to the fact that the Company benefits from strong, predictable cash flows from the long-term contracts with government bodies which provide a substantial majority of its revenues. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, including reasonable worse case assumptions, show that the Company 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 residual impact on the operations of the business and its financial performance in 2022.

Management believes that the Company has adequate resources to continue in operational existence for the foreseeable future. This has been assessed by review of forecasts that take into account strong opening cash balances (£21.3m), the cash generative ability of the business through 2021 and beyond, notwithstanding the negative impacts on revenue from the pandemic. The forecasts show an expectation of significant available cash balances throughout the forecast period, although the balance fluctuates depending on the timing of receipts from TfL, whilst remaining positive throughout.

Management has further considered how much revenue would need to decline in order for the Company's cash balances to be depleted fully in the forecast period, and concluded that the likelihood of revenue decreasing by an amount which would result in this is considered to be very remote. Further, additional mitigating actions (for example further cost savings or capital expenditure deferrals) would be available to the Company if revenue did decline in the future, further reducing the likelihood of the Company's cash balances being fully depleted.

As a result, management expects to have sufficient cash resources and cash generating operations through 2022 and beyond.

The Company also has no external debt apart from existing finance leases and management's belief that there are significant and varied sources of additional financial facilities from existing banking relationships and within the ownership Group in the event that they would be required provide management with additional confidence in adopting the going concern basis of accounting in preparing the annual financial statements.

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

Notes to the financial statements
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

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 Company.

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 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.

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.

Revenue

The Company 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

Notes to the financial statements
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Revenue (continued)

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.

- 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 Company 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 Company 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.

The Company has a number of revenue streams which consist of revenue from passengers, contracts, as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Company expects to be entitled to and excludes amounts collected on behalf of third parties.

2. Summary of significant accounting policies (continued)

Revenue (continued)

Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales in the bus routes operating outside of London. Outside of London passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the bus & coach transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Concessionary revenue is received from public bodies, such as local authorities, with a performance obligation to transport certain eligible passengers free of charge. Revenue is recognised in the period of travel and the transaction price varies between agreements and can include areas of estimation.

Revenue is only recognised when the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Contract revenue

Contract revenue mainly relates to the London bus division and comprises contractual income from government bodies which are recognised in the period to which they relate. Quality incentive contracts (QICs) are received as part of the contract revenue and the potential premiums or penalties are assessed cumulatively on a contract by contract basis, at the end of each period based on key performance obligations. The whole of cumulative penalties/premiums are recognised in the income statement on a pro rata basis to the contract year.

Outside of the London TfL business, revenue generated from services provided on behalf of local transport authorities as well as private hire customers is also recognised as income in the period to which it relates.

Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement and engineering services. Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Revenue in relation to the various revenue support income as set out in note 5 to the accounts has been recognised within other revenue and is recognised in the period in which the operational revenue and costs they are supporting relates to. These support measures generally require that a minimum level of service is operated, revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. The Company have recognised revenue where the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Given the uncertainty of the outcome of the reconciliation process, no reliable estimate for recognition can be made for any additional potential receipts that may be due.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Notes to the financial statements
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

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 Company 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. In the current and prior period all amounts relate to cash at bank and on hand.

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.

Hedging instruments and hedge accounting

The Company 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 19).

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 Company 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 Company 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 Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Company designates any interest rate swap for hedging of interest rate risk arising from borrowings 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 Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 19 contains details of the fair value of the hedging instruments.

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

Financial instruments (continued)

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.

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.

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company 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.

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.

2. Summary of significant accounting policies (continued)

Leases (continued)

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

The Company 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 Company 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.

Adoption of new and revised Standards

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16.

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reductions in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due in on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and

c) *There is no substantive change to other terms and conditions of the lease.*

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.

Notes to the financial statements
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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.

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.

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 balance sheet date. The Company 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.

Ordinary shares
Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

3. Revenue

Revenue is attributable to the Company's principal activity and arises entirely in the United Kingdom.

	2021 £'000	2020 £'000
Bus revenue	78,768	80,202
Other operating income	187	1,231
	78,955	81,433
Finance income (note 6)	-	3
Total revenue	78,955	81,436

Notes to the financial statements
Year ended 31 December 2021

4. Revenue (continued)

Government grants of £187k (2020: £1,231k) received relating to the Coronavirus Job Retention Scheme, as a result of the COVID-19 pandemic, have been included in other operating income. There are no unfulfilled conditions or other contingencies attached to these grants. The Company did not benefit directly from any other forms of government assistance.

4. Information regarding directors and employees

	2021 £'000	2020 £'000
Directors' remuneration		
Short-term employee benefits	82	63
Company contributions to money purchase pension schemes	5	5
	87	68
Highest paid director		
Short-term employee benefits	42	34
Company contributions to money purchase pension schemes	5	5

	2021 £'000	2020 £'000
Average number of persons employed (including directors)		
Operating staff	916	962
Engineering	48	53
Administration	111	114
	1,075	1,129

	2021 £'000	2020 £'000
Staff costs during the year (including directors)		
Wages and salaries	44,072	45,265
Social security costs	4,541	4,550
Pension costs	1,257	1,271
	49,870	51,086

No directors (2020: nil) had retirement benefits accruing under a defined benefit pension scheme.

The directors' emoluments are allocated based on the proportion of time spent within the ComfortDelGro Company of companies.

Metroline West Limited

Notes to the financial statements
Year ended 31 December 2021

5. Operating profit

	2021	2020
Operating profit is stated after charging/(crediting):	**£'000**	**£'000**
Depreciation - owned assets	3,495	3,859
Depreciation charge of right-of-use assets:		
Buildings	584	467
Buses	425	712
Motor vehicles	15	15
Rentals under operating leases (low value or short term):		
Land and buildings	1,319	1,256
Buses	-	(137)
Plant and machinery	56	1
Gain on disposal of property, plant and equipment	(60)	(42)
Government grants for Coronavirus Job Retention Scheme (CJRS)	(186)	(1,231)

Auditor's remuneration

	2021	2020
	£'000	**£'000**
Tax compliance fees	-	8

6. Finance income

	2021	2020
	£'000	**£'000**
Bank interest	-	3

7. Finance costs

	2021	2020
	£'000	**£'000**
Right-of-use assets - Finance lease expenses	44	52
	44	52

Notes to the financial statements
Year ended 31 December 2021

8. Income tax expense

a) Tax expense:

	2021 £'000	2020 £'000
Current tax expense		
Current tax on profits for the year	295	523
Tax on gain on sale of property (see note below)	3,568	-
Adjustments in respect of prior years	(8)	(7)
Total current tax charge	3,855	516
Deferred tax		
Origination and reversal of temporary differences (note 16)	(49)	148
Tax on gain on sale of property (see note below)	(3,568)	-
Changes in tax rates	311	-
Income tax expense reported in the income statement	549	664

Included within the tax charge and deferred tax credit (net effect - £nil) are amounts related to the gain on sale of the property for which a current tax charge arises in 2021, although the gain on sale is not accounted for until completion of the sale in 2022. An equivalent deferred tax asset is also recorded in 2021. Refer to Note 28 as a Post balance sheet event.

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

	2021 £'000	2020 £'000
Profit before taxation for the year	1,235	2,214
Income tax expense calculated at standard rate of 19% (2020: 19%)	235	421
Factors affecting charge for the year:		
Disallowable expenses	1	146
Depreciation for the year in excess of capital allowance	60	104
Deferred tax movement in respect of prior years	(50)	-
Deferred tax movement in respect of rate changes	311	-
Adjustments in respect of prior years	(8)	(7)
Total tax charge for the year	549	664
Effective rate	44.5%	30.0%

Notes to the financial statements
Year ended 31 December 2021

8. Income tax expense (continued)

b) Income tax recognised in other comprehensive income

	2021 £'000	2020 £'000
Deferred tax		
Deferred tax related to items credited to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges (note 16)	5	(5)
Income tax (credited)/ charged directly to other comprehensive income	5	(5)

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

As part of his Budget Speech delivered on 3 March 2021, The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, announced that as of 1 April 2023 the Corporation Tax would rise from the current rate of 19% to 25%. The change in rates has made a material impact on the carrying value of the Company's Deferred Tax Liabilities as set out above. Temporary differences expected to reverse after 1 April 2023 have been recalculated with reference to the increased rate of 25%.

Notes to the financial statements
Year ended 31 December 2021

9. Goodwill

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

	£'000
Cost and net book value	
At 31 December 2021	43,921
At 31 December 2020	43,921

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 has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS. The carrying amount of £43,921,000 (2020: £43,921,000) is allocated to the bus business in the UK.

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amounts of the 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 year.

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 8.23% (2020: 6.73%). Changes in revenues and direct costs are based on past practices and expectations of future changes in the market.

The Company 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 1.5% (2020: 1.5%).

Notes to the financial statements
Year ended 31 December 2021

10. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings improve-ments £'000	Buses £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2021	4,880	9,104	35,190	2,423	51,597
Additions	4	365	-	322	691
Disposals	-	-	(366)	-	(366)
Assets held for sale	(4,872)	-	-	(153)	(5,025)
At 31 December 2021	**12**	**9,469**	**34,824**	**2,592**	**46,897**
Accumulated depreciation					
At 1 January 2021	613	2,725	14,164	1,733	19,235
Charge for the year	94	468	2,778	155	3,495
Disposals	-	-	(366)	-	(366)
Assets held for sale	(695)	-	-	(77)	(772)
At 31 December 2021	**12**	**3,193**	***16,576***	***1,811***	**21,592**
Net book value					
At 31 December 2021	-	**6,276**	**18,248**	**781**	**25,305**
At 31 December 2020	4,267	6,379	21,026	690	32,362

Transfers relate to the assets held for sale and shown in Current Assets. Refer to Note 23 as a subsequent event.

Notes to the financial statements
Year ended 31 December 2021

10a. Leases

Right-of-use- assets	Motor Vehicles £'000	Buildings £'000	Buses £'000	Total £'000
Cost				
1 January 2021	43	3,426	2,381	5,850
Additions	-	10,919	-	10,919
Disposals	-	(3,393)	-	(3,393)
At 31 December 2021	**43**	**10,952**	**2,381**	**13,376**
Accumulated depreciation				
1 January 2021	15	894	1,749	2,658
Charge for the year	15	584	425	1,024
Disposals	-	(1,405)	-	(1,405)
At 31 December 2021	**30**	**73**	**2,174**	**2,277**
Net book value				
At 31 December 2021	**13**	**10,879**	**207**	**11,099**
At 31 December 2020	28	2,532	632	3,192
Lease liabilities				
1 January 2021	29	2,490	635	3,154
Additions	-	10,919	-	10,919
Disposals	-	(1,945)	-	(1,945)
Interest expense	1	38	8	47
Lease payments	(15)	(660)	(430)	(1,105)
At 31 December 2021	**15**	**10,842**	**213**	**11,070**

The disposals relate to the unexpired portion of a lease renewed during the year and shown as an addition.

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

	2021 £'000	2020 £'000
Lease liabilities:		
Current	794	1,034
Non-current	10,276	2,120
	11,070	**3,154**

Notes to the financial statements
Year ended 31 December 2021

11. Inventories

	2021 £'000	2020 £'000
Bus maintenance stocks	280	400
Fuel stocks	276	333
	556	733

12. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	2,761	3,054
Amounts owed by Company undertakings	12,280	13,990
VAT receivable	399	289
Prepayments	1,671	531
Contract assets	951	1,058
Hedging instruments (note 19)	19	-
Other receivables	913	1,604
	18,994	20,526

Amounts owed by Company 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 22.

13. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	1,573	996
Amounts owed to Company undertakings	1,246	793
Other taxes and social security	966	1,151
Contract liabilities	833	987
Accruals	4,713	4,902
	9,331	8,829

Amounts owed to Company 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 22.

Notes to the financial statements
Year ended 31 December 2021

14. *Lease liabilities*

	2021 £'000	2020 £'000
Amounts payable under finance leases:		
Within one year	794	1,081
Between one and two years	1,135	837
Between two and five years	1,132	1,342
More than five years	8,389	-
	11,450	3,260
Less: future finance charges	(380)	(106)
	11,070	3,154
Current liabilities	794	1,034
Non-current liabilities	10,276	2,120
	11,070	3,154

The above represents leases for certain buses and buildings of the Company. The weighted average incremental borrowing rate was 0.38% (2020: 1.71%).

15. Provision for accident claims

	2021 £'000	2020 £'000
At 1 January	856	833
Utilisation of provision	(1,205)	(504)
Charged to profit and loss	660	527
At 31 December	311	856

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 Company 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.

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 £824,000 (2020: £1,088,000), 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.

16. Deferred tax liabilities

	Hedging fair value losses £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2020	5	1,107	1,112
Charged to profit and loss	-	148	148
Credited to other comprehensive income	(5)		(5)
At 31 December 2020	-	**1,255**	**1,255**
Credit to profit and loss	-	(49)	(49)
Change of tax rate	-	311	311
Charged to other comprehensive income	5	-	5
At 31 December 2021	**5**	**1,517**	**1,522**
Included as Non-current Asset			
Tax on gain on sale of property		**3,568**	**3,568**

Notes to the financial statements
Year ended 31 December 2021

16. Deferred tax liabilities (continued)

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

	Statement of financial position		Statement of comprehensive income	
	31 December 2021 £'000	31 December 2020 £'000	2021 £'000	2020 £'000
Deferred tax assets				
Tax on Post Balance Sheet Asset Disposal	3,568	-	-	-
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(1,517)	(1,255)	262	148
Tax on gain on sale of property				
Fair value adjustment on cash flow hedges	5	-	5	(5)
	(1,522)	(1,255)	267	143
Deferred tax expense			**267**	**143**
Deferred tax assets/(liabilities) net	**2,046**	**(1,255)**		

Reconciliation of deferred tax asset/(liabilities) net:

	2021 £'000	2020 £'000
Opening balance as of 1 January	**(1,255)**	**(1,112)**
Tax expense during the year recognised in profit or loss	(262)	(148)
Tax *income/(expense) during the year* recognised in other comprehensive income	(5)	5
Net liability	(1,522)	(1,255)
Tax on gain on sale of property	3,568	-
Closing balance as at 31 December	**2,046**	**(1,255)**

Notes to the financial statements
Year ended 31 December 2021

17. Called up share capital

	2021		2020	
	No. '000	£'000	No. '000	£'000
Authorised				
Ordinary shares of £1 each	57,500	57,500	57,500	57,500
Called up, allotted and fully paid				
Ordinary shares of £1 each	57,500	57,500	57,500	57,500

18. Financial commitments

	2021 £'000	2020 £'000
Capital commitments:		
Contracted for but not provided for property, plant and equipment	7,000	40

The Capital commitments comprise the purchase of new electric vehicles.

Operating lease arrangements:

The Company as lessee

As at 31 December 2021, the Company committed to £9,000 for leases exempted under IFRS 16 (2020: £18,000).

Notes to the financial statements
Year ended 31 December 2021

19. 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:

	Notes	Hedging instruments (carried at fair value) £'000	Financial assets measured at amortised cost £'000	Total £'000
At 31 December 2020				
Financial assets				
Trade receivables	12	-	3,054	3,054
Cash and cash equivalents		-	*10,140*	*10,140*
		-	13,194	13,194

	Notes	Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
At 31 December 2020				
Financial liabilities				
Lease liabilities - current	14	-	1,034	1,034
Trade payables	13	-	996	996
Lease liabilities - non-current	14	-	2,120	2,120
		-	4,150	4,150

19. Financial instruments (continued)

	Notes	Hedging instruments (carried at fair value) £'000	Financial assets measured at amortised cost £'000	Total £'000
At 31 December 2021				
Financial assets				
Trade receivables	12	-	2,761	2,761
Cash and cash equivalents		-	16,276	16,276
Fuel Hedge	12	19	-	19
		19	19,037	19,056

	Notes	Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Lease liabilities - current		-	794	794
Trade payables	13	-	1,573	1,573
Lease liabilities - non-current		-	10,276	10,276
		-	12,643	12,643

For financial assets and liabilities measured at fair value, the methods used to measure fair value are described below.

19. Financial instruments (continued)

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

Financial risk management policies and objectives

The Company 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 Company's management monitors and manages the financial risks relating to the operations of the Company and seeks to minimise the effects of these risks by using hedging instruments to hedge these risk exposures. It is the Company's policy not to participate in speculative financial instruments.

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

Capital risk management policies and objectives

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

The capital structure of the Company consists of cash and bank balances and equity of the Company (comprising issued capital, reserves and retained earnings). The Company 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 2021 and 2020.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Company enters into a variety of hedging instruments to manage its exposure to 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.

Hedging instruments held:

	Notional		Fair Value	
	2021	2020	2021 £'000	2020 £'000
Fuel hedges				
MT	394	-	19	-

The Company's hedging instruments are measured at fair value and are all classified as Level 2 in the IFRS 13 fair value hierarchy, i.e. they are 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).

Notes to the financial statements
Year ended 31 December 2021

19. Financial instruments (continued)

Market risk (continued)

The fair value of fuel hedges at the reporting date is 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 Company. The Company 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 Company manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge. However the Company undertakes fuel purchase transactions linked to commodity prices 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 Company has total sterling denominated cash assets of £16,276,000 (2020: £10,140,000) of which £16,274,000 (2020: £10,139,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets and financial liabilities were denominated in Pounds Sterling.

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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Company's non-borrowing related financial liabilities are all due within one year.

The maturity of the Company's financial liabilities at 31 December 2021 was as follows:

	2021 £'000	2020 £'000
In one year or less, or on demand	749	1,034
In more than one year but not more than two	1,068	806
In more than two years, but not more than five	1,073	1,314
In more than five years	8,180	-
	11,070	3,154

Notes to the financial statements
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20. Retirement benefit obligations

The Company operates a defined contribution pension scheme. The charge for the scheme in 2021 is £1,257,000 (2020: £1,271,000). The contributions outstanding at the year end amounted to £nil (2020: £nil).

21. Ultimate parent company and immediate parent company

The Company's immediate parent company is Metroline Limited, a company incorporated in United Kingdom, which also heads the smallest Company of which the Company is a member, and for which consolidated accounts are prepared. Copies of its financial statements can be obtained from their registered office of ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP.

The ultimate parent company of the largest Company of which the Company is a member and for which Company accounts are prepared at the reporting date is ComfortDelGro Corporation Limited, a company incorporated in Singapore. Copies of its financial statements can be obtained from their registered office of 205 Braddell Road, Singapore 579701.

22. Contingent liabilities

All material companies in the Metroline Limited 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 which amounted to £212,000 at the year end (2020: £634,000).

Amounts contracted for but not provided in the financial statements amounted to £7,000,000 (2020: £643,000).

23. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

No trading transactions took place between the Company and related parties during the year.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts due to related parties	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Westbus Coach Services Limited	-	-	-	43

The amount due to Westbus Coach Services Limited consists of charges for support of Rail Replacement work.

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

23. Subsequent events

On the 27 January 2022 Metroline completed its disposal of Alperton Garage for £25m generating a one-off post tax disposal gain of £16.8m. As part of the overall condition of sale Metroline acquired a freehold site on Capital Business Centre, Athlon Road, Wembley for £7m which Metroline will utilise as part of its overall property portfolio.

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