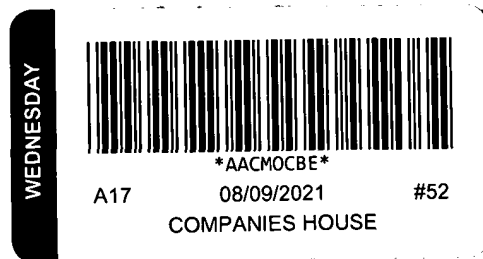


**Company Registration No. 02826284**

**Metroline Limited**

**Annual Report and Financial Statements  
for the year ended 31 December 2020**



# **Metroline Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2020**

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# **Metroline Limited**

## **Corporate Information for the year ended 31 December 2020**

### **Directors**

Jit Poh Lim  
Ban Seng Yang  
Rudy Tan Lai Wah  
Sean O'Shea

### **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

OCBC Bank  
8th Floor, Aldermay House  
10-15 Queen Street  
London EC4N 1TX

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  
1 New Street Square  
London EC4A 3HQ  
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.

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 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 Limited did not follow a formalised Corporate Governance Code in the financial year to 31<sup>st</sup> December 2020, 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. 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 and Group Chief Executive of ComfortDelGro Corporation as well as the CEO of UK & Ireland Bus and Coach Division, being an appropriate mix of Parent Company oversight and local market 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.

### **Financial results and future prospects**

2020 was a very challenging year with the COVID-19 pandemic adding significant and unprecedented stress to the business with service changes and significant rise in expenses predominantly in employee pay (sick pay, overtime), enhanced cleaning and purchase of personal protective equipment. Service levels through the lockdown period in Q2 & Q3 were lowered in a managed and co-ordinated way with TfL to match requirements of lower overall patronage but with capacity constraints from strict social distancing measures introduced.

# **Metroline Limited**

## **Strategic report (continued)**

### **Financial results and future prospects (continued)**

In addition, revenue was impacted from competition in the London tendering market where Metroline has had to respond by lowering prices to maintain the overall volume of work with a corresponding impact on margins generated.

The average staff numbers decreased by 3.9% over the year, averaging 5,051 in 2020 (2019: 5,255) although ending the year lower at 5,049 reflecting the reduction in staff required to operate the lower volume of business.

As shown in the Group's consolidated income statement on page 15, the Group's revenue has decreased by £27.7m (7.5%) in the year to £343.3m (2019: £371.0m) with pre-tax profit decreasing £8.7m (70%) in the year to £3.7m (2019: £12.4m).

The results of the Group for the year ended 31 December 2020 show a profit after tax of £1.7m (2019: £10.3m). The Group's statement of financial position on pages 17 and 18 shows the Group's net asset position of £234.1m (2019: £236.2m).

### **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, 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 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.

The UK's withdrawal from the European Union and subsequent Trade Deal removed some of the risk and uncertainty that was reported in last year's accounts. Whilst disruption was kept to a minimum during the transition period there is some residual risk and uncertainty in the Company's Supply Chain and Human Resources which continues to be mitigated through planning and risk management.

# Metroline Limited

## 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.

<b>Financial</b>	<b>2020</b>	<b>2019</b>	
Turnover (£ms)	343.0	371.0	
Operating Profit (£ms)	4.5	13.2	
Operating Profit Margin (%)	1.3%	3.6%	
<b>Non-Financial</b>	<b>2020</b>	<b>2019</b>	<b>Definition</b>
Operated Mileage	99.58%	99.46%	Level of mileage under contract delivered
Net Route Awards	-1	-6	New Routes awarded net of routes lost through tendering

The operated mileage performance was improved on prior year, reflecting the ongoing investment in new vehicles and infrastructure.

Two new and six existing routes commenced their 5-year term in the year, whilst three existing contracts (of which one night route and one school route) 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 Group we are playing a significant part in the UK's 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.

<b>Energy Consumption in 2020 (MWh)</b>	<b>Diesel</b>	<b>Electricity</b>	<b>Gas</b>	<b>Other</b>
<b>Metroline</b>	<b>339,314</b>	<b>9,415</b>	<b>5,385</b>	<b>6,003</b>

Of the total consumption of Electricity, 3,670 MWh (2019: 1,934MWh) was dedicated to the charging of the fleet of Zero Emission Electric Vehicles that have been introduced in 2019 and 2020.

<b>Greenhouse Gas Emissions in 2020 (tCO<sub>2</sub>e)</b>	<b>Scope 1</b>	<b>Scope 2</b>	<b>Scope 3</b>	<b>(tCO<sub>2</sub>e)/ 1,000 miles</b>
<b>Metroline</b>	<b>84,099</b>	<b>2,195</b>	<b>5</b>	<b>1.59</b>

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 period 9,222 MWh of Renewable Electricity was purchased on 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.

# Metroline Limited

## Strategic report (continued)

### Energy & Emissions Saving Initiatives

- Investment in fleet of Electric Vehicles increasing proportion of mileage operated by Zero Emission Vehicles
- Investment in retro-fitting enhanced emission systems to Euro 4 & 5 standard vehicles to make them Euro 6 compliant
- Contracting to supply 100% REGO backed renewable energy to London Operation
- Continuation of roll-out of LED replacement lights across sites
- Investing in new efficient HVAC equipment in multiple sites
- Use of B20 fuel in London Operation cutting GHG

### 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 2020, the Group had net current assets of £0.7m (2019: net current liabilities of £15.2m), and generated net operating cash inflow of £34.6m during the year ended 31 December 2020 (2019: £37.0m). 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 2020 caused disruption to businesses and global economic activity.

The UK's accelerated vaccination program and roadmap for the easing of restrictions and eventual removal of all legal limits on social contact provides a positive foundation to the projected future demand for services and support to the Company's recovery.

Management recognise that the situation does remain 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.

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 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 (£28.8m), the cash generative ability of the business through 2020 (£34.6m net cash from operating activities) 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 also considered reasonable worst case scenarios, including assuming that the impact of the pandemic continues to impact the Group in the future in a consistent way to 2020, which could have a maximum impact on the minimum cash balances in the forecast period of c £10m, although the Group would still have sufficient cash resources in this scenario. Management has further considered how much revenue would need to decline in order for the Group'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 Group if revenue did decline in the future, further reducing the likelihood of the Group's cash balances being fully depleted.



## **Metroline Limited**

### **Strategic report (continued)**

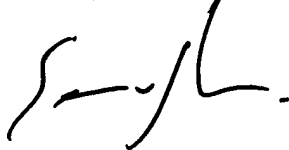
#### **Going concern (continued)**

As a result, management expects to have sufficient cash resources and cash generating operations through 2021 and beyond.

The Group also has no 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 in the unlikely 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. Further, the parent company, Braddell Limited has provided a letter of support as further assurance over the availability of resources and sustainability of the Group should any of the existing financial facilities remain uncommitted.

#### **Approval**

This report was approved by the Board of Directors on 19<sup>th</sup> April 2021 and signed on its behalf by:



Sean O'Shea  
Director  
19<sup>th</sup> April 2021

# **Metroline Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020. 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. The SECR report and tables within as reported in the Strategic Report on page 5&6 set out Metroline's Energy Consumption and Emissions.

### **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 (2019: £nil).

### **Post Balance Sheet Events**

As part of his Budget Speech delivered on 3<sup>rd</sup> March 2021, The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, announced that as of 2023 the Corporation Tax rate would rise from the current 19% to 25%. Whilst the impact of this could be material, Metroline has not yet been able to undertake a full analysis of the changes.

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.

## Metroline Limited

### Auditor

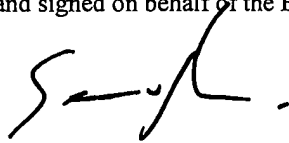
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'Sean O'Shea', with a stylized flourish at the end.

Sean O'Shea  
Director

19<sup>th</sup> April 2021

# **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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## **Metroline Limited**

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included consideration of:

- financing facilities;
- linkage to business model and medium-term risks;
- the assumptions used in the forecasts;
- the amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis;
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- A letter of support provided by the entity's parent company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

#### **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](http://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)**

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence, regulatory solvency requirements, environmental regulations, Health and Safety at Work Act, Employment Act, General Data Protection Regulation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **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.

## **Metroline Limited**

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

#### **Matters on which we are required to report by exception**

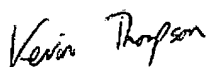
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
**19th April 2021**



## Metroline Limited

### Consolidated income statement Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Revenue</b>	3	343,292	370,975
Cost of sales		(309,613)	(329,728)
<b>Gross profit</b>		33,679	41,247
Administrative expenses		(29,140)	(28,090)
<b>Operating profit</b>	5	4,539	13,157
Finance income	6	1,731	2,310
Finance costs	7	(2,613)	(3,036)
<b>Profit before taxation</b>		3,657	12,431
Income tax expense	8	(1,927)	(2,124)
<b>Profit for the year</b>		1,730	10,307
Attributable to: Shareholders of the Company		1,730	10,307

## Metroline Limited

### Consolidated statement of comprehensive income Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Profit for the year</b>		1,730	10,307
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial adjustment on defined benefit pension schemes	22	(4,211)	(1,145)
Deferred tax credit/(charge) on actuarial adjustment	8b,18	541	(56)
		<u>(3,670)</u>	<u>(1,201)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value adjustment on cash flow hedges	21	(137)	596
Deferred tax credit/(charge) on fair value adjustment on cash flow hedges	8b,18	23	(101)
		<u>(114)</u>	<u>495</u>
<b>Other comprehensive loss for the year</b>		<u>(3,784)</u>	<u>(706)</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(2,054)</u></u>	<u><u>9,601</u></u>
<b>Attributable to:</b>			
Shareholders of the Company		<u><u>(2,054)</u></u>	<u><u>9,601</u></u>

# Metroline Limited

## Consolidated statement of financial position As at 31 December 2020


	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	9	49,280	49,280
Property, plant and equipment	10	171,953	191,406
Right-of-use assets	10a	62,660	61,550
Deferred tax assets	18	499	-
Retirement benefit asset	22	-	248
Total non-current assets		284,392	302,484
<b>Current assets</b>			
Inventories	12	2,626	2,823
Trade and other receivables	13	45,106	37,691
Income tax receivable		936	-
Cash and cash equivalents		28,823	10,197
Total current assets		77,491	50,711
<b>Total assets</b>		<b>361,883</b>	<b>353,195</b>

# Metroline Limited

## Consolidated statement of financial position (continued) As at 31 December 2020

Liabilities and equity	Notes	2020 £'000	2019 £'000
<b>Current liabilities</b>			
Trade and other payables	16	56,137	46,327
Lease liabilities from financial institutions	10a, 14	11,584	10,888
Lease liabilities	10a, 15	2,991	2,420
Income tax payable		-	202
Provision for accident claims	17	6,085	6,039
<b>Total current liabilities</b>		<b>76,797</b>	<b>65,876</b>
<b>Non-current liabilities</b>			
Lease liabilities from financial institutions	10a, 14	25,120	30,834
Lease liabilities	10a, 15	10,977	9,870
Deferred tax liabilities	18	12,224	10,422
Retirement benefit obligation	22	2,626	-
<b>Total non-current liabilities</b>		<b>50,947</b>	<b>51,126</b>
<b>Total liabilities</b>		<b>127,744</b>	<b>117,002</b>
<b>Equity</b>			
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		168,117	166,387
Retirement benefit reserve		(20,257)	(16,587)
Cash flow hedging reserve		-	114
<b>Equity attributable to shareholders of the Company</b>		<b>234,139</b>	<b>236,193</b>
<b>Total equity</b>		<b>234,139</b>	<b>236,193</b>
<b>Total liabilities and equity</b>		<b>361,883</b>	<b>353,195</b>

The financial statements of Metroline Limited, registered number 02826284, were approved by the Board of Directors on 19<sup>th</sup> April 2021.  
Signed on behalf of the Board of Directors



Sean O'Shea  
Director

## Metroline Limited

### Consolidated statement of changes in equity Year ended 31 December 2020

	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
<b>Balance at 1 January 2019</b>		<b>61,002</b>	<b>24,272</b>	<b>100</b>	<b>905</b>	<b>(381)</b>	<b>(15,386)</b>	<b>156,080</b>	<b>226,592</b>
Profit for the year		-	-	-	-	-	-	10,307	10,307
<b>Other comprehensive income/(loss)</b>									
Actuarial adjustment on defined benefit pension schemes	22	-	-	-	-	-	(1,145)	-	(1,145)
Deferred tax 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)
<b>Total other comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>495</b>	<b>(1,201)</b>	<b>-</b>	<b>(706)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>495</b>	<b>(1,201)</b>	<b>10,307</b>	<b>9,601</b>
<b>Balance at 31 December 2019</b>		<b>61,002</b>	<b>24,272</b>	<b>100</b>	<b>905</b>	<b>114</b>	<b>(16,587)</b>	<b>166,387</b>	<b>236,193</b>

**Metroline Limited**

**Consolidated statement of changes in equity (continued)**  
**Year ended 31 December 2020**

	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
<b>Balance at 1 January 2020</b>		61,002	24,272	100	905	114	(16,587)	166,387	236,193
Profit for the year		-	-	-	-	-	-	1,730	1,730
<b>Other comprehensive income/(loss)</b>									
Actuarial adjustment on defined benefit pension schemes	22	-	-	-	-	-	(4,211)	-	(4,211)
Deferred tax credit on actuarial adjustment	8b, 18	-	-	-	-	-	541	-	541
Fair value adjustment on cash flow hedges	21	-	-	-	-	(137)	-	-	(137)
Deferred tax credit on fair value adjustment on cash flow hedges	8b, 18	-	-	-	-	23	-	-	23
<b>Total other comprehensive loss</b>		-	-	-	-	(114)	(3,670)	-	(3,784)
<b>Total comprehensive (loss)/income for the year</b>		-	-	-	-	(114)	(3,670)	1,730	(2,054)
<b>Balance at 31 December 2020</b>		61,002	24,272	100	905	-	(20,257)	168,117	234,139

# Metroline Limited

## Company statement of financial position As at 31 December 2020

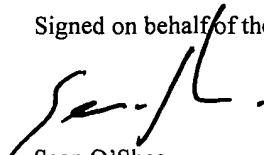
Company	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	-	-
Investments	11	101,401	101,401
Deferred tax assets	18	1	1
Total non-current assets		101,402	101,402
<b>Current assets</b>			
Trade and other receivables	13	4,582	4,691
Cash and cash equivalents		953	844
Total current assets		5,535	5,535
<b>Total assets</b>		<b>106,937</b>	<b>106,937</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	16	5,565	5,565
Total liabilities		5,565	5,565
<b>Equity</b>			
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
<b>Total equity</b>		<b>101,372</b>	<b>101,372</b>
<b>Total liabilities and equity</b>		<b>106,937</b>	<b>106,937</b>

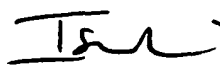
No income statement is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006.

The profit for the Company was £nil (2019: £nil).

The financial statements of Metroline Limited, registered number 02826284, were approved by the Board of Directors on 14<sup>th</sup> April 2021.

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 2020

#### Company

	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019 and 1 January 2020	61,002	24,272	100	15,998	101,372
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Balance at 31 December 2019 and 31 December 2020	61,002	24,272	100	15,998	101,372



# Metroline Limited

## Consolidated statement of cash flows Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Operating activities</b>			
Profit before taxation		3,657	12,431
Adjustments for:			
Depreciation of property, plant and equipment	10	23,647	23,711
Depreciation of right-of-use assets	10a	6,950	5,826
Interest income	6	(1,731)	(2,310)
Finance costs	7	2,613	3,036
Reversal of provision for impairment of property, plant and equipment		-	(36)
Gain on disposal of property, plant and equipment		(220)	(109)
<b>Operating cash flows before movements in working capital</b>		<b>34,916</b>	<b>42,549</b>
Working capital adjustments:			
Decrease/(increase) in inventories		197	(518)
Decrease/(increase) in trade receivables		814	(58)
Decrease/(increase) in other receivables and prepayments		407	(658)
Increase/(decrease) in trade and other payables		5,659	(693)
Decrease in other liabilities		(951)	(2,579)
(Decrease)/increase in working capital – Ownership Group Subsidiaries		(5,644)	543
<b>Cash generated from operations</b>		<b>35,398</b>	<b>38,586</b>
Income tax paid		(779)	(1,579)
<b>Net cash from operating activities</b>		<b>34,619</b>	<b>37,007</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(7,956)	(53,024)
Less: Vehicles & equipment purchased under hire purchase arrangements		3,483	23,180
Proceeds from disposal of property, plant and equipment		452	199
Cash payments on purchase of property, plant and equipment		(4,021)	(29,645)
Interest received		17	82
<b>Net cash used in investing activities</b>		<b>(4,004)</b>	<b>(29,563)</b>
<b>Financing activities</b>			
New loans raised		-	14,000
Repayment of borrowings		-	(14,000)
Principal paid on lease liabilities	10a	(11,354)	(10,449)
Interest paid on lease liabilities		(635)	(593)
Interest paid on loans and borrowings		-	(32)
<b>Net cash flows used in financing activities</b>		<b>(11,989)</b>	<b>(11,074)</b>
Net increase/(decrease) in cash and cash equivalents		18,626	(3,630)
Cash and cash equivalents at beginning of year		10,197	13,827
<b>Cash and cash equivalents at end of year</b>		<b>28,823</b>	<b>10,197</b>

## Metroline Limited

### Consolidated statement of cash flows (continued) Year ended 31 December 2020

#### Net Debt Reconciliation

Net Debt	2020 £'000	2019 £'000
Cash and cash equivalents	28,823	10,197
Lease liabilities - repayable within one year	(14,575)	(13,308)
Lease liabilities - repayable after one year	(36,097)	(40,704)
Net Debt	<u>(21,849)</u>	<u>(43,815)</u>
Cash and cash equivalents	28,823	10,197
Gross debt - fixed interest rates	(50,672)	(54,012)
Net Debt	<u>(21,849)</u>	<u>(43,815)</u>

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

	2020 £'000	2019 £'000
Increase/(decrease) in cash in the year	18,626	(3,630)
Payment of lease liabilities	11,354	10,449
Change in net debt resulting from cash flows	29,980	6,819
New lease liabilities (under hire purchase arrangements)	(3,483)	(23,180)
New lease liabilities	(4,531)	(15,170)
Movement in net debt in the year	21,966	(31,531)
Opening net debt	(43,815)	(12,284)
Closing net debt	<u>(21,849)</u>	<u>(43,815)</u>

#### (b) Analysis of net debt

	2019 £'000	Cash flow £'000	Other non-cash changes £'000	2020 £'000
Cash and cash equivalents	10,197	18,626	-	28,823
Lease liabilities	(54,012)	11,354	(8,014)	(50,672)
Total	<u>(43,815)</u>	<u>29,980</u>	<u>(8,014)</u>	<u>(21,849)</u>

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 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 2020 (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 19<sup>th</sup> April 2021.

### 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, including reasonable worse case assumptions, 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 residual impact on the operations of the business and its financial performance in FY21.

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 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 (£28.8m), the cash generative ability of the business through 2020 (£34.6m net cash from operating activities) 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 also considered reasonable worst case scenarios, including assuming that the impact of the pandemic continues to impact the Group in the future in a consistent way to 2020, which could have a maximum impact on the minimum cash balances in the forecast period of c £10m, although the Group would still have sufficient cash resources in this scenario. Management has further considered how much revenue would need to decline in order for the Group'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 Group if revenue did decline in the future, further reducing the likelihood of the Group's cash balances being fully depleted.

As a result, management expects to have sufficient cash resources and cash generating operations through 2021 and beyond.

# **Metroline Limited**

## **Notes to the financial statements Year ended 31 December 2020**

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

#### **Going concern (continued)**

The Group also has no 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 in the unlikely 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. Further, 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 Group should any of the existing financial facilities remain uncommitted.

#### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

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 2020. 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.

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

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

#### Business combinations and goodwill (continued)

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.

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.

## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

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

##### **Taxation (continued)**

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.

##### **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.

# **Metroline Limited**

## **Notes to the financial statements Year ended 31 December 2020**

### **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.

# **Metroline Limited**

## **Notes to the financial statements Year ended 31 December 2020**

### **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.

The Group 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 Group expects to be entitled to and excludes amounts collected on behalf of third parties.

#### **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.



# **Metroline Limited**

## **Notes to the financial statements Year ended 31 December 2020**

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

#### **Revenue (continued)**

##### **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 Group 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 Group 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 Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group 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 Group 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.

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

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

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

#### Financial instruments (continued)

##### *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 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.

# **Metroline Limited**

## **Notes to the financial statements Year ended 31 December 2020**

### **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.

#### **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 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.

## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

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

##### **Leases (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.

##### **Adoption of new and revised standards**

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material

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.

##### **New/revised Standards and improvements to the standards not yet adopted**

The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but not yet effective:

- Reference to the Conceptual Framework (Amendments to IFRS 3) <sup>(1)</sup>
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) <sup>(1)</sup>
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) <sup>(1)</sup>
- Annual improvements to IFRS Standards 2018-2020 <sup>(1)</sup>
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) <sup>(1)</sup>

<sup>(1)</sup> Applies to annual periods beginning on or after 1 January 2022.

<sup>(2)</sup> Applies to annual periods beginning on or after 1 January 2023.

Management anticipates that the adoption of the above IFRS pronouncements in future periods will not have a material impact on the Financial Statements of the Group in the period of their initial adoption.

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

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

#### **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.

#### ***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 31<sup>st</sup> December 2020 this was £10.9m (2019: £10.8m). Effective from 1<sup>st</sup> April 2020 and in recognition of the impact that COVID-19 was having on the performance of the London bus network, TfL implemented an interim arrangement that referenced the variable performance revenue to the prior year revenue generated as bonus as a benchmark.

#### ***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.

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 3. Revenue and operating profit

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

	2020 £'000	2019 £'000
Bus revenue	343,292	370,975
Finance income (note 6)	1,731	2,310
Total revenue	<u>345,023</u>	<u>373,285</u>
Operating profit	<u>5,199</u>	<u>13,157</u>

### 4. Information regarding directors and employees

Group	2020 £'000	2019 £'000
<b>Directors' remuneration</b>		
Short-term employee benefits	<u>164</u>	<u>218</u>
<b>Highest paid director</b>		
Short-term employee benefits	<u>124</u>	<u>178</u>

	Group 2020 No.	2019 No.
<b>Average monthly number of persons employed (including directors)</b>		
Operating staff	4,169	4,372
Engineering	302	293
Administration	<u>580</u>	<u>590</u>
	<u>5,051</u>	<u>5,255</u>

	Group 2020 £'000	2019 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	199,478	209,852
Social security costs	19,677	21,450
Pension costs	<u>5,458</u>	<u>5,372</u>
	<u>224,613</u>	<u>236,674</u>

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.

## Notes to the financial statements

### Year ended 31 December 2020

No directors (2019: nil) had retirement benefits accruing under a defined benefit pension scheme.

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 (2019: nil)

No employees (2019: nil) were employed by the Company.

	2020	2019
Group operating profit is stated after charging/(crediting):	£'000	£'000
Depreciation:		
Assets owned	23,647	23,711
Assets held under hire purchase contracts	4,111	2,848
Depreciation charge of right-of-use assets:		
Buildings	2,014	1,941
Buses	712	1,037
Motor vehicles	113	-
Rentals under operating leases (low value or short term):		
Land and buildings	1,534	1,574
Buses	(259)	766
Plant and machinery	33	146
Government grants for the purpose of revenue support	(295)	-
Government grants for Coronavirus Job Retention Scheme (CJRS)	(5,508)	-
Provision/(reversal of provision) for impairment of property, plant and equipment – owned assets	-	(36)
Gain on disposal of property, plant and equipment	(220)	(109)
Provision for write down of inventory	298	-

Revenue support income from government grants as a result of the COVID-19 pandemic have been included in Bus revenue. Additional government grants received relating to the Coronavirus Job Retention Scheme have been offset against staff costs. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance.

The breakdown of the income from government grants is given below.

	2020	2019
Coronavirus revenue support scheme	£'000	£'000
Bus revenue:		
COVID-19 Bus Services Support Grant (CBSSG)	295	-

	2020	2019
Coronavirus Job Retention Scheme	£'000	£'000
Staff costs:		
Coronavirus Job Retention Scheme (CJRS)	5,508	-

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 5. Group operating profit (continued)

<b>Auditor's remuneration</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	94	82
Total audit fees	94	82
Tax compliance fees	29	29
Total fees	123	111

### 6. Finance income

	<b>2020 £'000</b>	<b>2019 £'000</b>
Bank interest	17	82
Interest on pension scheme assets (note 22 (vi))	1,714	2,228
Other interest	-	-
	1,731	2,310

### 7. Finance costs

	<b>2020 £'000</b>	<b>2019 £'000</b>
Interest on pension scheme liabilities (note 22 (v))	1,696	2,211
Bank loans	-	32
Finance leases and hire purchase contracts	692	562
Right-of-use assets - Finance lease expenses	225	228
Other interest	-	3
	2,613	3,036



# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 8. Income tax expense

#### a) Tax expense:

	2020 £'000	2019 £'000
<b>Current tax expense</b>		
Current tax on profits for the year	278	818
Adjustments in respect of prior years	(218)	(100)
Total current tax charge	60	718
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 18)	1,867	1,406
Income tax charge reported in the income statement	1,927	2,124

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

	2020 £'000	2019 £'000
Profit before taxation	3,657	12,431
Income tax expense calculated at standard rate of 19% (2019: 19%)	695	2,362
Factors affecting charge for the year:		
Disallowable expenses	1,859	1,406
Capital allowances for the year in excess of depreciation	(113)	(1,264)
Short-term timing differences arising in the year	(296)	(280)
Adjustments in respect of prior years	(218)	(100)
Total tax charge for the year	1,927	2,124
Effective rate	52.7%	17.1%

#### b) Income tax recognised in other comprehensive income

	2020 £'000	2019 £'000
<b>Deferred tax</b>		
Deferred tax related to items charged to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges	(23)	101
Actuarial adjustment on defined benefit pension schemes	(541)	56
Income tax (credited)/ charged directly to other comprehensive income	(564)	157

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% would now not occur and the Corporation Tax Rate will be held at 19%. These rate changes 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 2020 have been recognised at 19% (2019: 17%).

As part of his Budget Speech delivered on 3<sup>rd</sup> March 2021, The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, announced that as of 1<sup>st</sup> April 2023 the Corporation Tax would rise from the current rate of 19% to 25%. Management believe the impact of this change could be material but the Group has not yet been able to undertake a full analysis of the changes and are treating this as a non-adjusting event.

#### 9. Goodwill

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

Group	2020 £'000	2019 £'000
<b>Cost and net book value</b>		
At 1 January	49,280	49,280
At 31 December	49,280	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 (2019: £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 6.73% (2019: 5.94%). 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 1.5% (2019: 1.4%).

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 10. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold land and buildings improve- ments £'000	Buses £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	34,852	16,563	299,058	23,319	373,792
Reclassification due to adoption of IFRS 16	-	-	(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)
<b>At 31 December 2019</b>	<b>36,670</b>	<b>17,277</b>	<b>279,998</b>	<b>25,605</b>	<b>359,550</b>
Additions	582	590	1,816	1,452	4,440
Disposals	-	-	(17,619)	-	(17,619)
<b>At 31 December 2020</b>	<b>37,252</b>	<b>17,867</b>	<b>264,195</b>	<b>27,057</b>	<b>346,371</b>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2019	7,618	7,020	126,342	18,369	159,349
Reclassification due to adoption of IFRS 16	-	-	(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)
<b>At 31 December 2019</b>	<b>8,576</b>	<b>7,670</b>	<b>132,482</b>	<b>19,416</b>	<b>168,144</b>
Charge for the year	1,050	880	20,643	1,074	23,647
Disposals	-	-	(17,373)	-	(17,373)
Reclassifications	(1)	1	-	-	-
<b>At 31 December 2020</b>	<b>9,625</b>	<b>8,551</b>	<b>135,752</b>	<b>20,490</b>	<b>174,418</b>
<b>Net book value</b>					
At 31 December 2020	27,627	9,316	128,443	6,567	171,953
At 31 December 2019	28,094	9,607	147,516	6,189	191,406

In the prior year, reclassification due to adoption of IFRS 16 relates to buses held under hire purchase contracts for the year ended 31 December 2018 which were been reclassified as right-of-use assets under IFRS 16. See note 10a.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 10. Property, plant and equipment (continued)

##### Company

	<b>Leasehold improve- ments £'000</b>	<b>Plant and machinery £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2019, 31 December 2020 and 31 December 2020	<u>216</u>	<u>306</u>	<u>522</u>
<b>Accumulated depreciation</b>			
At 1 January 2019, 31 December 2020 and 31 December 2020	<u>216</u>	<u>306</u>	<u>522</u>
<b>Net book value</b>			
At 1 January 2019, 31 December 2020 and 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 10a. Leases

##### Group

	Motor Vehicles	Buildings £'000	Buses £'000	Total £'000
<b>Right-of-use assets</b>				
<b>Cost</b>				
At 1 January 2019	-	13,240	30,953	44,193
Additions	-	-	23,183	23,183
<b>At 31 December 2019</b>	-	<b>13,240</b>	<b>54,136</b>	<b>67,376</b>
Additions	334	3,746	3,968	8,048
<b>At 31 December 2020</b>	<b>334</b>	<b>16,986</b>	<b>58,104</b>	<b>75,424</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	-	-	-
Charge for the year	-	1,941	3,885	5,826
<b>At 31 December 2019</b>	-	<b>1,941</b>	<b>3,885</b>	<b>5,826</b>
Charge for the year	113	2,014	4,811	6,938
<b>At 31 December 2020</b>	<b>113</b>	<b>3,955</b>	<b>8,696</b>	<b>12,764</b>
<b>Net book value</b>				
At 31 December 2020	221	13,031	49,408	62,660
At 31 December 2019	-	11,299	50,251	61,550
<b>Lease liabilities</b>				
<b>1 January 2020</b>	-	11,390	42,622	54,012
Additions	334	3,746	3,934	8,014
Interest expense	5	211	9	225
Principal paid	(111)	(2,026)	(9,217)	(11,354)
Interest paid	(5)	(211)	(9)	(225)
<b>At 31 December 2020</b>	<b>223</b>	<b>13,110</b>	<b>37,339</b>	<b>50,672</b>

Right-of-use assets and lease liabilities include buses held under hire purchase contracts.

The majority of our leases do not include options to extend the lease or terminate the lease early. However, where these do exist we assess whether we are reasonably certain to exercise the option to extend or not exercise the option to terminate. We do not believe that the impact of this judgement is material.

## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

#### **10a. Leases (continued)**

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

<b>Group</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Lease liabilities from financial institutions:</b>		
Current	11,584	10,888
Non-current	25,120	30,834
	<u><b>36,704</b></u>	<u><b>41,722</b></u>
 <b>Lease liabilities:</b>		
Current	2,991	2,420
Non-current	10,977	9,870
	<u><b>13,968</b></u>	<u><b>12,290</b></u>

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 11. Investments

Company	2020 £'000	2019 £'000
<b>Cost</b>		
At 1 January and 31 December	111,978	111,978
<b>Impairment</b>		
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 %	
			2020	2019
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	
	2020 £'000	2019 £'000
Bus maintenance stocks	1,752	1,882
Fuel stocks	874	941
	2,626	2,823

The cost of inventories recognised as an expense and included in cost of sales was £44,932,000 (2019: £55,235,000). This includes an amount of £298,000 (2019: £nil) resulting from write down of inventories.

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 13. Trade and other receivables

	Group		Company	
Current	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	12,935	15,662	-	-
Amounts owed by group undertakings	21,914	13,027	4,582	4,691
VAT receivable	1,584	2,645	-	-
Prepayments	3,838	2,480	-	-
Contract asset	4,001	2,989	-	-
Hedging instruments (note 21)	-	137	-	-
Other receivables	834	751	-	-
	<u>45,106</u>	<u>37,691</u>	<u>4,582</u>	<u>4,691</u>

#### 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

	2020 £'000	2019 £'000
Opening contract assets	2,989	17,927
Opening contract liabilities	(5,154)	(4,754)
Net	(2,165)	13,173
Revenue recognised	343,292	370,975
Billings in year	(341,692)	(371,688)
Subtotal	1,600	(713)
Closing contract assets	4,001	2,989
Closing contract liabilities	(4,566)	(5,154)
Net	(565)	(2,165)



## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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 98% (2019: 95%) 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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts payable under finance leases:		
Within one year	12,130	11,552
Between one and two years	11,923	11,351
Between two and five years	13,738	20,341
	<u>37,791</u>	<u>43,244</u>
Less: future finance charges	(1,087)	(1,522)
	<u>36,704</u>	<u>41,722</u>
Current liabilities	11,584	10,888
Non-current liabilities	25,120	30,834
	<u>36,704</u>	<u>41,722</u>

Obligations under finance leases were secured over property, plant and equipment with a net book value of £48,777,000 (2019: £49,358,000).

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

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 15. Lease liabilities

	Group	
	2020	2019
	£'000	£'000
Amounts payable under finance leases:		
Within one year	2,892	2,685
Between one and two years	2,023	2,109
Between two and five years	3,765	3,377
More than five years	6,668	5,225
	<u>15,348</u>	<u>13,396</u>
Less: future finance charges	(1,380)	(1,106)
	<u>13,968</u>	<u>12,290</u>
Current liabilities	2,991	2,420
Non-current liabilities	10,977	9,870
	<u>13,968</u>	<u>12,290</u>

The above represents leases for certain buses and buildings of the Group. The weighted average incremental borrowing rate was 1.73% (2019: 1.66%).

### 16. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade payables	4,038	3,065	-	-
Amounts owed to group undertakings	16,913	13,251	5,553	5,553
Other taxes and social security	5,258	6,424	-	-
Hedging instruments (note 20)	-	-	-	-
Contract liability	4,566	5,154	-	-
Accruals	25,361	18,433	12	12
	<u>56,136</u>	<u>46,327</u>	<u>5,565</u>	<u>5,565</u>

#### 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.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 17. Provision for accident claims

Group	2020 £'000	2019 £'000
At 1 January	6,039	7,741
Utilisation of provision	(3,815)	(4,942)
Charged to profit and loss	3,861	3,240
At 31 December	<u>6,085</u>	<u>6,039</u>

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 £2,166,000 (2019: £2,824,000), 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.

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 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 2019	(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
Charged to profit and loss	-	-	1,867	1,867
Credit to other comprehensive income	(541)	(23)	-	(564)
At 31 December 2020	(499)	-	12,224	11,725

Company	Accelerated tax depreciation £'000
At 1 January 2020 and at 31 December 2020	(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 2020 £'000	31 December 2019 £'000	2020 £'000	2019 £'000
Deferred tax assets				
Retirement benefit obligation	499	-	(499)	14
Deferred tax liabilities				
Accelerated tax depreciation	(12,224)	(10,357)	1,867	1,406
Fair value adjustment on cash flow hedges	-	(23)	(23)	101
Retirement benefit asset	-	(42)	(42)	42
	(12,224)	(10,422)	1,802	1,549
<b>Deferred tax expense</b>			<b>1,303</b>	<b>1,563</b>
<b>Deferred tax liabilities net</b>	<b>(11,725)</b>	<b>(10,422)</b>		

Reconciliation of deferred tax liabilities net:

	2020 £'000	2019 £'000
Opening balance as of 1 January	(10,422)	(8,859)
Tax expense during the year recognised in profit or loss	(1,867)	(1,406)
Tax income/(expense) during the year recognised in other comprehensive income	564	(157)
<b>Closing balance as at 31 December</b>	<b>(11,725)</b>	<b>(10,422)</b>

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 19. Called up share capital

	Group and Company			
	2020		2019	
	No. '000	£'000	No. '000	£'000
<b>Authorised</b>				
Ordinary shares of £1 each	61,500	61,500	61,500	61,500
<b>Called up, allotted and fully paid</b>				
Ordinary shares of £1 each	61,002	61,002	61,002	61,002

### 20. Financial commitments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Capital commitments:</b>				
Acquisition of property, plant and equipment contracted for but not provided	869	5,318	-	-

#### Operating lease arrangements:

##### The Group as lessee

As at 31 December 2020, the Group committed to £183,000 (2019: £474,000) for leases exempted under IFRS 16.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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) £'000	Financial assets measured at amortised cost £'000	Total £'000
<b>At 31 December 2019</b>	<b>Notes</b>			
<b>Financial assets</b>				
Trade receivables	13	-	15,662	15,662
Cash and cash equivalents		-	10,197	10,197
Fuel hedge		137	-	137
		<u>137</u>	<u>25,859</u>	<u>25,996</u>
		Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
<b>Financial liabilities</b>				
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
		<u>-</u>	<u>57,077</u>	<u>57,077</u>

## Notes to the financial statements

### Year ended 31 December 2020

## Group

The carrying values of the financial assets and liabilities approximate to their fair value. The carrying values of the financial assets represent the Group's maximum exposure to credit risk.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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 2020 and 2019.

##### *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.



## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 21. Financial instruments (continued)

##### *Market risk (continued)*

Hedging instruments held:

	Notional		Fair Value	
	2020	2019	2020 £'000	2019 £'000
Fuel hedges				
MT	-	6,840	-	137
	-	6,840	-	137

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 £28,805,000 (2019: £10,178,000) of which £28,803,000 (2019: £10,195,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets of £18,000 (2019: £19,000) were denominated in US Dollars, the rest were denominated in Pounds Sterling.

Financial liabilities were denominated in Pounds Sterling.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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 2020:*

	Floating rate financial liabilities 2020 £'000	Floating rate financial liabilities 2019 £'000	Fixed rate financial liabilities 2020 £'000	Fixed rate financial liabilities 2019 £'000
Lease liabilities	-	-	50,672	54,012

The Group's floating rate financial liabilities amount was £nil (2019: £nil). All borrowings were on a fixed rate and the weighted average interest rate was 1.74% (2019: 1.77%).

##### *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.

During 2020, Metroline successfully applied to the HM Treasury backed and Bank of England administered Covid Corporate Financing Facility providing a Commercial Paper facility of £70m. Management felt this was an opportunity to access liquidity at competitive rates as part of contingency planning in response to the pandemic. Due to the strength of the Groups Cash position and ability to generate positive cashflow the facility did not get drawn upon in the year nor up to the 23<sup>rd</sup> March 2021 when the CCFF was closed to new purchases.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 21. Financial instruments (continued)

##### *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 2020 was as follows:

	2020 £'000	2019 £'000
In one year or less, or on demand	14,575	13,308
In more than one year but not more than two	13,371	12,862
In more than two years, but not more than five	16,793	23,029
In more than five years	5,933	4,813
	<u>50,672</u>	<u>54,012</u>

#### 22. Retirement benefit obligations

##### **A. Defined contribution scheme**

The Group operates a defined contribution pension scheme. The charge for the scheme in 2020 is £5,533,000 (2019: £5,372,000). The contributions outstanding at the year end amounted to £nil (2019: £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 15 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.

## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

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

##### **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 £589,000 to this Scheme during the accounting year beginning 1 January 2021.

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 £168,000 to this Scheme during the accounting year beginning 1 January 2021.

##### **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.
- **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 2020 by a qualified independent actuary. The assumptions used are in note 22 (i) stated below.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

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

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

	2020	2019
	-*	-*
Rate of increase in salaries (%)		
Revaluation of deferred pensions in excess of GMP – pension increases (%)	2.10	2.10
Annual rate of pension increases - in payment (%)	2.9	3.10
Post 88 GMP pension increases – in deferment (%)	1.90	1.90
Assumed life expectancies (in years) on retirement at age 65 are:		
Retiring today:		
- Males	19.1	19.0
- Females	20.8	20.6
Retiring in 20 years' time:		
- Males	20.1	19.9
- Females	21.9	21.7
Life expectancies are based on the following published mortality tables:		
– current pensioners	102% (males) / 110% (females) of S3PA CMI_2019_M/F [1.00%] (yob) rated by 3 years	102% (males) / 110% (females) of S3PA CMI_2018_M/F [1.00%] (yob) rated by 3 years
– non-pensioners	102% (males) / 110% (females) of S3PA CMI_2019_M/F [1.00%] (yob) rated by 3 years	102% (males) / 110% (females) of S3PA CMI_2018_M/F [1.00%] (yob) rated by 3 years
Inflation assumption - RPI (%)	3.00	3.20
Inflation assumption - CPI (%)	2.10	2.10
Discount rate for future pension liabilities (%)	1.40	2.00

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

# Metroline Limited

## Notes to the financial statements Year ended 31 December 2020

### 22. Retirement benefit obligations (continued)

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

	2020 £'000	2019 £'000
Present value of pension liability	(93,640)	(86,406)
Fair value of pension fund assets	91,014	86,654
(Deficit)/surplus	<u>(2,626)</u>	<u>248</u>
(Liability)/asset recognised in the statement of financial position	<u>(2,626)</u>	<u>248</u>
Related deferred tax asset/(liability)	<u>499</u>	<u>(42)</u>

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

	2020 £'000	2019 £'000
Net interest	(18)	(17)
Scheme administrative expenses	371	40
Amount charged to profit and loss	<u>353</u>	<u>23</u>

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

	2020 £'000	2019 £'000
Actuarial adjustments		
Actuarial losses on liabilities	(8,604)	(6,720)
Return on assets excluding amounts included in net interest	4,393	5,575
Actuarial adjustment recognised in OCI	<u>(4,211)</u>	<u>(1,145)</u>

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

	2020 £'000	2019 £'000
Opening pension obligation	(86,406)	(80,452)
Interest costs on liability	(1,696)	(2,211)
Adjustments from changes in actuarial assumptions	(8,604)	(6,720)
Benefits paid to pension scheme members	3,286	2,977
Past service cost	(220)	-
Closing defined benefit obligation	<u>(93,640)</u>	<u>(86,406)</u>

## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

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

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of the schemes' assets	86,654	80,369
Interest income on schemes' assets	1,714	2,228
Return on schemes' assets less interest	4,511	5,664
Contributions by the company to the schemes	1,421	1,370
Benefits paid to pension scheme members	(3,286)	(2,977)
	<u>91,014</u>	<u>86,654</u>
Closing fair value of the schemes' assets	<u>91,014</u>	<u>86,654</u>

All contributions with the exception of a fixed monthly contribution have now ceased. Current monthly contributions are £120,000 per month and are due to decrease to £64,000 per month from April 2021 and thereafter increase to £67,000 per month from June 2021 until September 2021.

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

	<b>Fair Value at</b>	<b>Percentage of fair value of the total schemes' assets</b>	<b>Fair Value at</b>	<b>Percentage of fair value of the total schemes' assets</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	31,958	35.11	28,273	32.63
Gilts	47,031	51.68	50,530	58.31
Bonds	3,283	3.61	2,700	3.12
Property	4,371	4.80	4,520	5.21
Cash	673	0.74	631	0.73
Alternatives	3,698	4.06	-	-
	<u>91,014</u>	<u>100.00</u>	<u>86,654</u>	<u>100.00</u>
Total market value of assets	91,014	100.00	86,654	100.00
Present value of the schemes' liabilities	(93,640)		(86,406)	
	<u>(2,626)</u>		<u>248</u>	
Combined surplus/(deficit) in the schemes	<u>(2,626)</u>		<u>248</u>	

The actual return on assets over the period was 7.2% (2019: 9.8%).

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.

## Metroline Limited

### Notes to the financial statements Year ended 31 December 2020

#### 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 £42,772,000 at the year end (2019: £49,549,000).

Amounts contracted for but not provided in the financial statements amounted to £869,000 (2019: £5,318,000).

#### 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. ComfortDelGro Corporation Limited is the Ultimate Parent Company and 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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Scottish Citylink Coaches Limited	74	209	-	-
Westbus Coach Services Limited	5	18	43	-
Cityfleet Networks Limited	10,516	3,501	-	-

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 2020.

The amount owed by Cityfleet Networks Limited includes a non-interest bearing loan that is repayable on demand of £10,500,000 (2018: £3,500,000). The remainder of the balance represents property maintenance costs paid by Metroline Travel Limited on behalf of the company which had not yet been reimbursed at 31 December 2020.

The amount due to Westbus Coach Services Limited consists of charges for buses loaned to Metroline Travel Limited and Metroline West Limited for TfL Rail Replacement work. 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 2020.

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.



## **Metroline Limited**

### **Notes to the financial statements Year ended 31 December 2020**

#### **26. Subsequent Events**

As part of his Budget Speech delivered on 3<sup>rd</sup> March 2021, The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, announced that as of 2023 the Corporation Tax rate would rise from the current 19% to 25%. Whilst the impact of this could be material, Metroline has not yet been able to undertake a full analysis of the changes.

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.